Austria Sch22	Indonesia .. Rp3100	Portugal Esc100
Bahrain Din0.650	Israel IS3.50	S.Arabia Rls6.00
Belgium BFr48	Italy L1600	Singapore .... S$4.10
Canada ...... C$1.00	Japan Y600	Spain Pta125
Cyprus ...... C£0.75	Jordan Fils500	Sri Lanka Rup30
Denmark .. DKr9.00	Kuwait Fils500	Sweden SKr8.00
Egypt .... E£2.25	Lebanon .. $L125.00	Switzerland. SFr2.20
Finland Fmk7.00	Luxembourg .. LFr48	Taiwan .... NT$85
France FFr6.50	Malaysia ... Rin4.25	Thailand Bht50
Germany .. DM2.20	Mexico Pes300	Tunisia Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L900
Hong Kong.. HK$12	Netherlands.. Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr8.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

ø No. 30,400 — Friday 27 November 1987 — D 8523 A

Gibraltar airport: Between a rock and a hard place, Page 3

World News

Hopes fade fast for successful EC summit

The European Community's looming political crisis became a reality when ministers abandoned their latest efforts to curb farm subsidies and key talks collapsed in disarray.

Foreign ministers were to seek a package of farm reform to present in Copenhagen next week - but hopes for a successful outcome to the summit were fast fading. **Page 26; Expectations recede, Page 2**

Hostage pledge

The pro-Iranian Revolutionary Justice Organisation said it would release two French hostages in Moslem west Beirut within the next 24 hours. The group said it decided to free the hosatges "after receiving assurances about the willingness of the French government to change its directions and fulfill its promises in the Middle East."

Reagan's INF battle

President Ronald Reagan faced a tough fight within his own Republican Party in his campaign for speedy Senate ratification of the superpower treaty banning intermediate-range nuclear forces. **Page 5**

Defence pact call

President Francois Mitterrand of France invited Italy to co-operate more closely with France and West Germany to strengthen the defence and security of Western Europe.

African debt talks

African finance ministers began discussing measures to overcome the continent's debt crisis, including a proposed five-year moratorium on service payments. Conclusions of their two-day meeting will be tabled at a special OAU summit in Addis Ababa on Monday.

Offer to Tigers

India offered Sri Lanka's Tamil Tiger rebels security, cash, food and shelter and help in returning to normal life if they surrendered their arms immediately. Meanwhile Sri Lanka's Parliament voted to extend the state of emergency for a further month. **Pay freeze sought, Page 7**

Swiss pollution toll

Some 56 per cent of trees in Switzerland had been damaged by air pollution and their condition was getting worse, Interior Minister Flavio Cotti said.

Greek minister quits

Greek Economy Minister Kostas Simitis resigned after Prime Minister Andreas Papandreou announced a change in the country's incomes policy.

Iranians attack tanker

Iranian speedboats attacked a Romanian tanker in the southern Gulf, setting it on fire. **Soviet policy condemned, Page 7**

Basque suspects held

More than 1,000 police swooped on Basque guerrilla hideouts, detaining some of the most wanted members of the ETA separatist group in Spain.

Queensland crisis

Queensland Premier Sir Joh Bjelke-Petersen refused to quit after his party sacked him as leader. **Page 7**

Ershad bans marches

Bangladesh imposed a 30-day ban on marches and rallies in Dhaka to counter a fresh wave of opposition protest against President Ershad. **Page 7**

Typhoon kills 83

At least 83 people were killed and hundreds made homeless when Typhoon Nina struck the central Philippines with winds of up to 120kmh.

Turkish banks bombed

Three major Turkish bank offices in Istanbul were attacked with petrol bombs. No-one was injured.

Business Summary

Ferranti sells chip business to Plessey

PLESSEY, UK electronics group, bought semiconductor operations of rival Ferranti for £30m ($53m) cash. **Page 27**

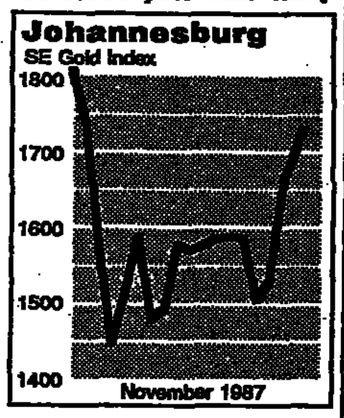
JAPAN AIR Lines will be privatised on December 15 to 17, Japanese Ministry of Finance confirmed. The sale should raise close to $6bn. **Page 32**

WALL STREET was closed for the Thanksgiving holiday.

TOKYO: Prices moved slightly higher for the fourth consecutive day, the Nikkei average closing up 62.49 at 23,282.18. **Page 48**

LONDON: UK securities were left to drift in the absence of Wall Street trading and with the dollar in limbo. The FT-SE 100 index finished 3.4 lower at 1,660.7. **Page 45**

GOLD SHARES closed mixed in Johannesburg in thin trading as the bullion price heald steady.



The All Gold Index rose 33 to close at 1,735. Since the start of the week the index has risen 227 points. **Page 48**

DOLLAR closed in London at DM1.6685 (DM1.6675); FFr5.6625 (FFr5.6575); SFr1.3685 (SFr1.3705) and Y134.55 (Y134.7). **Page 39**

STERLING was steady in London, closing at $1.7945 ($1.795); DM2.995 (DM2.9925); FFr10.1625 (FFr10.155); SFr2.455 (SFr2.46) and Y241.5 (Y241.75). **Page 39**

CONTINENTAL, West German tyre group, plans to invest over $100m in its newly acquired US plants, and increase spending sharply in Europe. **Page 28**

BLUE CIRCLE, British cement company, took a 2.6 per cent stake in heating and lawnmower group Birmid Qualcast, amid rumours of a bid. **Page 27**

DRESDNER BANK and Commerzbank, West Germany's second and third largest commercial banks, saw 10-month profits down 16 per cent to DM639m ($383m) and 14 per cent to DM566m respectively. **Page 28**

ASAHI OPTICAL, Japanese maker of Pentax cameras, has reported a reduced pre-tax loss of Y1.4bn ($10.4m) in six months to September and expects to return to profit in the second half. **Page 32**

SOUTHERN LIFE, South African life assurer, posted six month profits up to R32m ($16.2m), but its chief executive warned that the stock market crash cut the value of assets. **Page 32**

AMEV, Dutch insurance group, forecast profits down between 10 and 15 per cent for 1987 following lower results for the first nine months. **Page 28**

CREDITANSTALT, Austria's largest bank, opened a representative office in Moscow, the first Austrian bank to do so. **Page 28**

OIAG, Austrian holding company for state-run industries, wants an extra Sch3bn ($255.7m) from the state to begin restructuring. **Page 28**

BASF, West German chemicals group, nudged pre-tax profits ahead by 0.4 per cent to DM2.16bn ($1.3bn) in the first nine months of 1987. Sales fell 2.3 per cent to DM30.16bn. **Page 28**

TYSSEDAL SMELTER Works, Norwegian titanium ore group, has run into liquidity problems during its commissioning phase and is asking for more than NKr150m ($23.4m) from the Government **Page 28**

Arab hang-glider attack on army base shocks Israel

ISRAEL WAS shocked into near silence yesterday by the carnage wrought at a northern army base on Wednesday night by a hang-gliding Arab gunman, **Andrew Whitley writes from Jerusalem.** Six soldiers died and another seven were wounded in the most lethal guerrilla attack for nearly a decade.

In Damascus, an extremist Palestinian group headed by Mr Ahmed Jibril, the Syrian-backed Popular Front for the Liberation of Palestine - General Command claimed responsibility for the incident. "The PFLP-GC announces the martyrdom of one of its pilots and affirms that the rest of the group still continue their mission," said its "Military Communique No 1."

Indeed, for many hours fears that other Arab gunmen were still at large traumatised the Israeli settlements strung out along the border with Lebanon.

As residents huddled sleeplessly in bomb shelters, troops mounted an all-night manhunt across hundreds of square miles of northern Israel and adjacent parts of Lebanon, lighting up the sky with explosive flares. Just after dawn, a second hang-glider and its stranded pilot were found a few hundred yards north of the border, according to the Israeli Army. The pilot was shot and killed.

But rumours of a third aircraft said to have been abandoned inside Israel could not be confirmed.

Amid muted public recriminations as to how the motorised hang-gliders had succeeded in evading Israel's sophisticated array of border defences, Prime Minister Yitzhak Shamir said: "The Israel Defence Forces learns lessons from incidents like this."

Touring the scene yesterday, Mr Shamir commented that those responsible had not acted independently. In an oblique warning of possible heavy reprisals to come, he said they had had "the backing of countries like Syria."

Last night, a top Israeli officer said it was believed the guerrillas had been trained by Syria and had crossed from there into Lebanon, before taking off from a point in the eastern Bekaa Valley.

General Ehud Barak, Deputy Chief of Staff, told a press conference: "It's clear Jibril is responsible, and his organisation should in due time pay the price." Neither he, nor any other Israeli official, would give any hint yesterday as to when and in what form the expected retaliation would take place stop.

Mr Yitzhak Rabin, the Defence Minister promised an investigation into the serious security lapses which had evidently occurred. He revealed that warnings of the incoming hang-gliders had been given by Israeli forces within the "security zone" in southern Lebanon, but these were not relayed back across the border.

At the Gibor army camp, near the important Galilee panhandle town of Kiryat Shmona, the one Arab guerrilla who managed to evade scrambled helicopter gunships caught an unsuspecting group of soldiers from a Nahal border guard unit relaxing over cards.

Illustrating the confusion and panic which ensued, later in the night a foreign volunteer on a nearby kibbutz, a collective farm, was mistakenly shot and wounded by an Israeli soldier.

Twelve hours later, eyewitnesses said that reinforcements pouring into the panhandle from many miles away were still

Continued on Page 26

South African group plans share offer for 250,000 workers

BY ANTHONY ROBINSON IN JOHANNESBURG

ANGLO American, the powerful South African conglomerate, yesterday unveiled an unprecedented employee shareholder plan designed to change the perceived link between apartheid and capitalism.

If successful, it would give more than 250,000, mainly black, workers more than a 3 per cent stake in the county's leading mining and industrial group.

Mr Gavin Relly, Anglo's chairman, said South Africa, with its injustices and deeply rooted historical problems, required what he called "this imaginative and high-risk exercise." The plan did not constitute an answer to South Africa's problems but was "the start of a process."

In his annual statement to Anglo's shareholders earlier this year, Mr Relly argued that workers should be given a direct stake in the companies which employed them, as part of a pragmatic alternative to "centralist socialism on the one hand and rigorous capitalism on the other."

In the first stage of the proposed five-year share plan, Anglo's 2,600 head office staff with at least two-years' service will each be offered five newly issued Anglo shares early next year. If they accept, a further 250,000 employees of Anglo group subsidiaries will also be offered shares. Individual companies will decide the number of shares to be offered and will pay for the issue.

British Trade Minister Alan Clark yesterday urged companies to continue to do business in South Africa despite widespread Commonwealth calls for sanctions. Page 26

The plan will be administered by an Anglo American trust which will hold the shares allocated to each worker. After four years, employees may choose to leave their shares with the trust, take possession of them or sell.

Each Anglo share is currently worth just over R60 (about $30.40). At the end of the initial five-year period the group estimates that the employee trust could hold about 7.5m shares. Anglo American currently has about 230m shares outstanding.

Mr Relly said that "the future prosperity of the corporation is inextricably linked" with the future prosperity of all South Africans in the creation of significant new wealth, in the context of a free and fair economy and society."

However, the first reaction of one of South africa's leading trade unionists was extremely critical. Mr Cyril Ramaphosa, head of the black miners' union, said: "It stinks." Recalling Anglo's recent role in crushing the three-week-long mining strike, Mr Ramaphosa said that "they refused to grant the pay rises which could have ended the strike and now they are coming in through the back door and offering shares. What matters to the workers is not wealth in the future but wages now."

Anglo American said the company trade unions were informed but had not been invloved in drawing up the scheme. Anglo shareholders will be asked to approve the free share-offer plan on December 18.

The 20,000 employees of Anglo's sister company, the De Beers diamond group, will also be offered an initial 10 shares, each valued at just under R30.

Earlier this week Ford of Canada concluded a disinvestment package which left the black metalworkers trade union as a minority 24 per cent shareholder in the Samcor Motor group in which Anglo holds the remaining 76 per cent. That deal was eventually approved by the unions because the dividends will not accrue to individuals but to a worker-controlled trust fund.

Gorbachev to visit Britain next month

By Peter Riddell, Political Editor, in London

MR MIKHAIL Gorbachev, the Soviet leader, will visit Britain on his way to the US/Soviet summit in Washington.

Mrs Margaret Thatcher, the British Prime Minister, announced the visit in the House of Commons yesterday and expressed strong support for the intermediate-range nuclear weapons (INF) treaty agreed on Tuesday between the US and the Soviet Union.

The visit - probably of no more than three or four hours on Monday, December 7 - has been hurriedly arranged in the last few days and was confirmed only yesterday morning when Mr Leonid Zamyatin, the Soviet Ambassador to Britain, visited the Prime Minister's residence at 10 Downing Street.

Mrs Thatcher told Members of Parliament she wanted to discuss the future beyond the INF treaty with Mr Gorbachev before he meets President Ronald Reagan. Mrs Thatcher will be able to convey to Mr Gorbachev broader European views on arms control, since she will have just seen the other European Community heads of government at the Copenhagen summit on December 4 and 5.

Her message will be that while the UK supports the proposed 50 per cent cut in strategic arms, there must be no further reduction in nuclear weapons in Europe until agreements are reached on chemical weapons and the conventional forces. The British nuclear deterrent should also be outside such talks.

British officials believe that UK and European concerns should be stressed now to avoid the misunderstandings and differences with the US which followed the Rejkyavik summit in October 1986.

Mr Gorbachev visited the UK three years ago, shortly before he became the Soviet leader.

China promises strict controls on weapon sales

BY ROBIN PAULEY, ASIA EDITOR, IN PEKING

CHINA admitted yesterday that it had been too lax in controlling the sales of its weapons on the international arms market and said it is urgently to introduce strict controls.

Mr Wu Xueqian, China's Foreign Minister, told the Financial Times that although China had already acted to try to prevent its arms being diverted on the international market, further measures were needed. He did not specify what would be done.

This is the first indication that China feels its international relations, particularly with the United States, are being jeopardised by repeated allegations about the use of Chinese weapons in foreign conflicts.

The US has accused China of supplying Silkworm missiles to Iran for use in the Gulf war, the Philippines Government has recently complained about the supply of Chinese arms to communist rebels and there have been accusations about the use of Chinese weapons in the Sri Lankan conflict.

Mr Wu strongly denounced the US allegations. "The present tension in the Persian Gulf is the result of the deployment of massive US naval ships." US charges of China selling missiles to the region were "groundless."

"Still more unreasonably, the US has suspended the review of liberalisation of exports of high technology to China with this as a pretext," he complained.

If this situation continued it would clearly affect the development of relations between China and the US, he added.

Mr Wu said he had raised with the US State Department the question of risk to the bilateral relationship and he said the US since appeared to have modified its attitude. This suggests that, having obtained what it sought in the form of stricter control of Chinese arms movements, the US might be prepared to lower the temperature on the subject of those arms which have already turned up in the Gulf.


Wu Xueqian: Attacked US

He said China was not alone in the problem of controlling the buying and selling of arms by third parties in the international market. Many other nations, including the US, France and Britain, had similar difficulties.

One reason for China's decision to tighten control despite saying it had nothing to do with the weapons itself - is understood to be that the US has satellite photographs of Chinese Silkworm missiles being loaded on to a Chinese ship in China and unloaded from the same ship in Iran. Mr Wu said he doubted such allegations could be established through a photograph.

He was equally outspoken about criticism in the US concerning China's suppression of recent demonstrations in Tibet.

"The gross interference in China's internal affairs on the question of Tibet by members of the US Congress has already aroused

Continued on Page 26

Heavy job losses may follow cuts in Ruhr steel output

BY DAVID MARSH IN BONN

HEAVY JOB losses look likely in the West German steel industry as a result of talks between Krupp, Mannesmann and Thyssen on cutting production in the Duisburg area, the heart of the Ruhr.

The talks, announced yesterday by the three steel and heavy engineering companies, come just a day after the European Commission angered West German steel producers by formally proposing that most output controls on steel throughout the Community end by next July.

The move will add to political controversy both in Bonn and in West Germany's most industrialised state of North Rhine-Westphalia about accelerating job losses in the Ruhr's traditional steel and coal sectors.

Less than two months ago, the main steel producers reached agreement with the Government and unions on cutting 35,000 jobs by the end of 1989. Although yesterday's announcement did not spell out the effect on work forces, the proposed rationalisation would add to these job cuts.

The restructuring announcement follows several months of growing West German protests about the effect of EC measures on the industry. These are blamed for having further depressed steel prices in the Community and for exacerbating companies' steel losses.

The three companies said they were studying "joint possibilities of co-operation" aimed at improving costs in the Duisburg area. This could involve closure of Krupp's Rheinhausen steelworks.

To minimise costs, the plant's output would be pooled with Mannesmann's production at its

Continued on Page 26

Chairman to quit Montedison

BY DAVID LANE IN MILAN

MR MARIO Schimberni, the chairman of Montedison, is to leave the Italian chemicals corporation which he led to profitability after a decade of losses. His departure will mark the end of nearly seven years as chairman of one of Italy's largest industrial organisations.

Confirmation that Mr Schimberni, 63, will be leaving Montedison, the diversified Italian chemicals group, was given by the Ferruzzi agri-industry group, which holds a controlling 40 per cent stake in the company. They announced that Ferruzzi chairman Mr Raul Gardini would become the new head of Montedison.

Ferruzzi said that the company had examined the need to assume a more direct responsibility in Montedison's management which meant, said a Ferruzzi official, that Mr Gardini "should take on the chairmanship of Montedison."

Mr Gardini's move thus completes his battle for the control of Montedison. In October last year he stepped into the spotlight when the Ferruzzi group increased its interest to a crucial 14.5 per cent, raising the shareholding to 26.6 per cent by December.

The Ferruzzi hold was tightened when it made further purchases of Montedison shares in March and May this year, raising its total stake to 40 per cent.

There has been considerable speculation during the past year about the relations between Mr Schimberni and the 54-year-old Mr Gardini. There was a major reshuffle of Montedison's board and executive committee at the end of May.

In addition to the deputy chairmanship, Ferruzzi was given four places on the executive committee, equal to the number held by appointees of Mr Schimberni.

Since then, Montedison has undertaken two costly operations: the public offer for the pharmaceuticals company Farmitalia and the purchase of a further 41.5 per cent stake to acquire control of its Himont affiliate in the US.

These operations have led to a substantial worsening of Montedison's debt levels. Earlier this year the company was forced by poor stock market conditions to shelve a big equity issue.

Even after disposals of a few assets, it is expected that Montedison's borrowings at the end of the year will amount to L7,700bn ($6.28bn).

The Ferruzzi group said that its move to replace Mr Schimberni with Mr Gardini was no reflection on the operations of the parting Montedison chairman.

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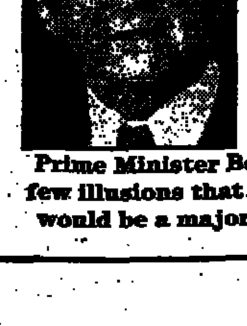


AUSTRALIA GETS SET TO TIGHTEN THE BELT

Prime Minister Bob Hawke - under few illusions that a world recession would be a major setback, Page 7.

EUROPEAN NEWS

Report on internal market disappoints

By William Dawkins in Brussels

EUROPEAN Commission officials yesterday admitted that a major report on the benefits of building a free internal market was late and looked set to produce less tangible results than expected.

However, they said that a preliminary reading of the 30,000 pages of consultancy studies gathered for the report broadly supported separate estimates that needless trade and technical barriers were costing European Community industries Ecu 120bn (£83bn) per year.

Mr Jacques Delors, the Commission President, is understood to have wanted the study, the Costs of a non-Europe, to be ready in time for Lord Cockfield, the Internal Market Commissioner, to present his controversial proposals to reduce discrepancies in indirect taxation to member states earlier this month.

Officials now say the study will not be ready for publication until next February or March because it has taken longer than expected to bring together the 14 consultancy reports

The study's remit is to quantify the value of the EC's drive to create a single market for goods and services by 1992. Private consultants were commissioned to study sectors from food to cars, textiles, construction

East Germany widens clampdown on 'Greens'

BY LESLIE COLITT IN BERLIN

EAST GERMANY widened its arrests of independent environment and human rights campaigners yesterday, evoking sharp protests from the West German Government, Social Democrats and Greens.

The East German authorities took 12 people into custody on Wednesday night after arresting five members of an ecology and human rights group during a search in the rectory of East Berlin's Zion Church. The 12 East Germans, along with 150 others, had protested the earlier arrests in a night-time vigil before the church.

Protestant church officials in East Berlin said numerous apartments of independent peace and civil rights activists were also searched. At least 20 young people were detained and 17 later released after the church intervened with the authorities. Those arrested could face charges under the Criminal Code's all-encompassing Paragraph 218 which provides for a maximum five-year sentence.

The people arrested in the church rectory published an illegal environmental and human rights bulletin.

Mr Otfried Henning, State Secretary in West Germany's Ministry of Inner German Relations, called the arrests a "distinct setback" for church-state relations in East Germany.

A spokesman for the opposition West German Social Democrats (SPD) said it would intervene on behalf of those arrested with the ruling East German Communist Party.

Greek economy chief resigns over incomes

BY ANDRIANA IERODIACONOU IN ATHENS

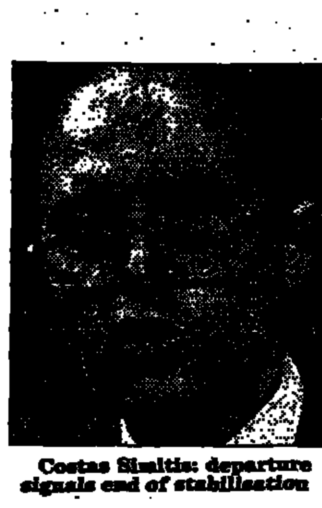
MR COSTAS SIMITIS, the Greek Economy Minister, resigned yesterday after Dr Andreas Papandreou, the Prime Minister, bowed to trade union pressure and retracted key elements of the government's anti inflationary incomes policy.

The Prime Minister's move revived speculation that he might hold early elections next spring, rather than wait until the end of his second four-year term in June 1989.

The 1988 incomes policy, which together with income tax cuts was expected to give public sector workers a real pay rise of at least 2 per cent next year, was announced by Mr Simitis on Tuesday. It instantly provoked a furious reaction and strike threats from unions.

The minister's departure marks a victory for the unions and for radical left and populist elements in the Socialist cabinet, who had long fought Mr Simitis over the need for economic restraint in 1988, beyond the expiry of an economic stabilisation programme adopted at the end of 1985.

Over the past two years Greece has reduced its current account deficit from $3.3bn to $1.2bn, the net public sector deficit from 18 per cent of GDP to 13 per cent of GDP and inflation from 26 per cent to 16 per cent, at the cost of a plunge in the Socialist government's popularity.



Costas Simitis: departure signals end of stabilisation

Swedish union group issues wages claim

BY SARA WEBB IN STOCKHOLM

THE SWEDISH Trade Union Confederation, known as LO, said yesterday that it wanted a real increase in wages in the region of 7-8 per cent for its members next year. This increase is almost double what the Social Democratic Government would like to see.

The LO also said it wanted higher increases in wages for its lowest-paid union members to even out wage disparity, and compensation for wage drift in 1987.

The proposals put forward by LO's general council will form the basis for negotiations with employers next month and at the beginning of next year for the 1988 wage agreement covering its 2.3m members.

As such, they go far beyond the Government's set aims. Mr Kjell-Olof Feldt, the Finance Minister, said that he intended to set a limit of 4 per cent for wage increases in the state sector.

This view has been backed by some Swedish banks which said in their autumn economic forecasts that wage increases were expected to be about 7 per cent next year, compared with 6.8 per cent in 1987.

High wage drift in the private sector during 1987 – especially for building and construction workers in the Stockholm and Gothenburg areas – has led public sector unions to demand compensatory increases.

The problem for the Government is that the wage negotiations (which recently have been conducted every two years) will fall in an election year this time around.

Tim Dickson reports that national self-interest has taken over as the summit deadline for CAP reform approaches

High expectations recede as ministers bow out of talks

In the early hours yesterday EC farm ministers abandoned their latest attempt to curb the spiralling cost of farm spending. EC foreign ministers will now try to thrash out a package of farm reform to present to heads of government in Copenhagen next week. In this article summing up political, economic and social factors involved in the complex negotiations, we conclude our series on this important issue

GIVEN that the patchwork edifice of the European Community's costly farm support system took the best part of 25 years to construct, it was always fanciful to suppose that the problems of the Common Agricultural Policy could be sorted out in the space of a mere six months of negotiation.

As the EC's Farm Ministers abandoned their latest attempt to agree spending cuts in the early hours of yesterday morning - thus throwing a bigger than ever question mark over the outcome of the summit meeting of heads of state in Copenhagen next week - it was difficult not to conclude that the high expectations recently for significant farm policy reform have been badly wide of the mark.

True, the situation is not yet irretrievable. It is just possible that the Community's Foreign Ministers, at a meeting in Brussels on Sunday and Monday, and the heads of state themselves in Copenhagen later in the week, could bridge the still wide gulf that continues to divide member states.

But few are betting on it. Whatever else, the sometimes absurd and often tedious pantomime of the last 10 days has highlighted the huge obstacles that continue to lie in the way of a cheaper, more coherent and more market-orientated CAP.

The difficulties go well beyond the political power of the farm lobby in Europe which remains persistent, not to say pervasive. They include the diverse agricultural structures in the Community, ranging from simple family units to huge factory farms and exacerbated by the enlargement of the EC at the beginning of 1986 to include Spain and Portugal.

Above all, though, they reflect confusion and uncertainty in Brussels and elsewhere over the most practical alternative to the long-standing but increasingly unacceptable regime of guaranteed price supports.

Two factors explain a growing sense of optimism among reformers that Copenhagen would prove to be that long elusive watershed in the history of the CAP.

The first is that agriculture in the past year has become a major international trade issue. Europe and the US - the world's two agricultural superpowers, as depicted recently by Mr Graham Avery, a senior Commission official - are generating vast food surpluses and are now in serious and expensive conflict on world markets leading, as he puts it, "to scenarios familiar from strategic discourse, including mutual suspicion of expansionism, the building of stockpiles, pre-emptive strikes (via export subsidies) and calls for disarmament."

Hopes for a truce at least have been raised by commitments on both sides of the Atlantic to try to reduce the level of farm supports in the framework of the General Agreement on Tariffs and Trade.

Much more immediate pressure, however, has been applied by the Community's own budgetary crisis, created almost entirely by the soaring costs of agricultural price support (up 40 per cent sinc 1984).

The main reason for urgency lies in the request by Mr Jacques Delors, the Commission President, for a substantial increase in the European Community's resources. EC heads of state, and notably Mrs Margaret Thatcher, Britain's Prime Minister, made it clear in June that this appeal will not be met unless agricultural spending is brought under control by binding and effective "budget stabilisers."

Stabilisers are a raft of proposals put forward by the European Commission in the late summer which would impose automatic price penalties and other subsidy cuts on farmers once production targets (or thresholds) for individual commodities have been breached.

They cover a wide range of products but by far the toughest and most important relate to the cereals and oilseeds sectors where costs have jumped sharply in recent years and the forecasts for future production have set the alarm bells ringing in Brussels. Hence the sharp and automatic price cuts proposed in the Commission's package.

Far from concentrating minds, however, the impending summit deadline seems to have encouraged farm ministers this week to dig in their heels and strong national self-interest has shone through.

Mr Francois Guillaume, the French Agriculture Minister, is widely thought to have next year's French elections in mind and while there have been few deomonstrations recently in Brussels to match his own display of anger as a farm leader - he once persuaded a cow to accompany him into the Council of Ministers building - the hostile reaction of the French agricultural lobby to a restrictive package remains a reality.

Mr Guillaume's alternative plan for a stabiliser covering the whole arable sector and based on penalties for high yields has been sharply criticised by Britain and the Commission as both unworkable and potentially more expensive. More significantly, it has altered the perception that France is genuinely willing to embrace a more market-orientated approach.

No such illusions are harboured in relation to Mr Ignaz Kiechle, the cheery West German Minister whose emotional outbursts against automatic price cuts for cereals provided the only bit of real theatre for the other participants.

Mr Kiechle's staunch support for the small and largely inefficent, but politically significant, cereal producers of southern Germany best illustrates the problem of devising a common policy to suit all types of farmers. In an ideal world, most policymakers in Brussels admit, support prices under the CAP would be sharply cut to what economists call the "market-clearing level" and the savings re-directed to poorer farmers in the form of direct income supports.

As this week's and previous negotiations on CAP reform have amply confirmed, however, the farm ministers consistently refuse to swallow the tough price medicine while proposals for a system of direct income support (not on the table at the moment) have been widely criticised as impractical

Previous articles in this series appeared on October 29, November 4,6,12,18,20,24 and 26.

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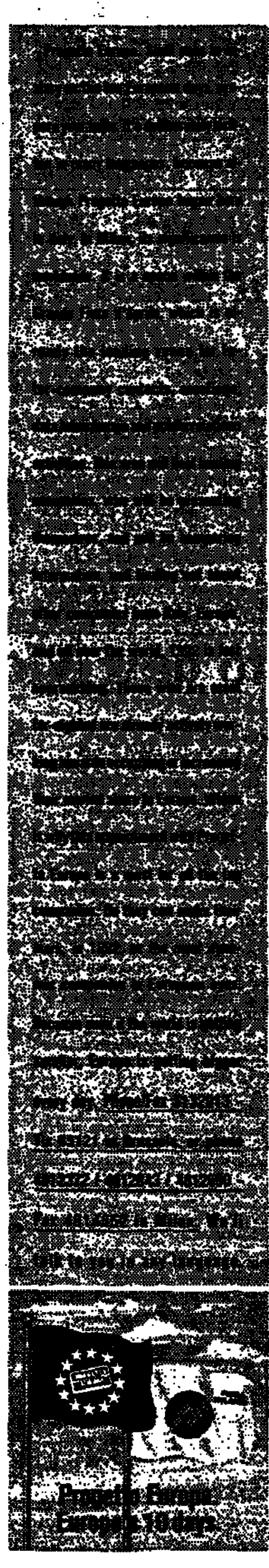


Lemon jibe as Turkey's ruling party faces electoral squeeze

BY DAVID BARCHARD IN ANKARA

WITH three days to go before Sunday's elections, the main issue in Turkish politics seems to be whether or not it is shocking to compare the nation with a lemon.

The ruling Motherland Party (MP) has taken half-page advertisements in all the national dailies to denounce the main opposition leader, Professor Erdal Inonu, for warning that Turkey would be "squeezed like a lemon" if the MP returns to power.

"A national disgrace" say the advertisements. "No human being calls his own nation a 'lemon' just to gain votes."

The advertisements seem to be a response to an apparent edging forward by Professor Inonu and his Social Democracy Populist Party (SDPP).

In several cities, voters seem to be turning back to the SDPP. In Ankara, this has been helped by an incompetent MP administration which has left many houses unheated because of a coal shortage and streets obstructed by apparently needless construction work.

Even so the opinion polls, not always a reliable indicator in Turkey, suggest that there is a gap of 15 to 20 per cent between the MP and the SDPP, with the ruling party enjoying the support of about 40 per cent of voters.

With the electoral system skewing the result in favour of the largest party, Mr Ozal can anticipate a majority of about 25 seats in the next parliament.

This is well short of the 75 to 80 seat majority the premier wants in order to be able to amend the constitution single-handedly.

The True Path Party of the former prime minister, Mr Suleyman Demirel, looks as if it will come a poor third with between 50 and 80 seats. This leaves Mr Demirel with little chance of returning to power, especially if - as is not uncommon in Turkey - some of his deputies cross over to the government side after the elections.

The only cheerful face among the leaders of the smaller parties is that of Professor Necmeddin Erbakan. If he gets into parliament, he would probably exert a strong pull on the fundamentalist members of the MP.

Mr Inonu, and other opposition leaders, say that Mr Ozal is squeezing the incomes of ordinary Turks and his re-election would mean more austerity.

Mr Ozal says that he is enabling the country to "skip an historical stage" and pass directly from a backward agricultural society to a 21st century industrial economy.

The message is self-confident and more than a little materialist. Mr Ozal's goal seems to be an industrialised Turkey of more than 100m people, playing a major part in the European Community in the next century.

Britain hopeful of Gibralter airport accord

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN LONDON AND DAVID WHITE IN MADRID

BRITAIN believes that a deal with Spain on the joint use of Gibraltar airport, which would open the way to cheaper air fares within Europe, is "within reach," in spite of continued disagreement between the two sides on the principle of sovereignty over the Rock.

Spanish and British transport officials continued talks yesterday in Madrid in a last-minute effort to prepare the ground for an agreement on Gibraltar airport when Sir Geoffrey Howe, the British Foreign Secretary, visits Madrid today.

Sir Geoffrey is due to have 2 days of talks in Madrid with Mr Francisco Fernandez Ordonez, his Spanish opposite number, at which the problem of Gibraltar will be the principal item on the agenda.

The coming into effect of the Single European Act means that a unanimous vote is no longer required for the adoption of the European Community's civil air transport directive, which Spain has been blocking pending an agreement on the use of Gibraltar airport. However, Madrid could still try to invoke the so-called "Luxemburg compromise" of 1966, allowing member states to veto measures which they consider to be of "vital national interest."

Adopting a traditional pragmatic approach, Britain has proposed an arrangement which it hopes will meet Spanish susceptibilities, while falling short of joint control of Gibraltar airport.

Under the British plan, Spanish citizens travelling via Gibraltar to another location in Spain would not have to pass through British passport control and customs, but could use a separate terminal to be built on the La Linea side of the frontier fence.

Britain is also anxious to step up co-operation with Spain on air traffic control in the Gibraltar and Seville region, security arrangements and passenger and baggage handling at Gibraltar airport.

Yugoslavia chooses new vice president

By Aleksander lebl in Belgrade

MR RAIF DIZDAREVIC, Yugoslavia's Foreign Secretary, is to become vice president, and the country's president next May, it was announced yesterday.

The former vice-president, Mr Hamdija Pozderac, resigned last month because of his involvement in the Agrokomerc financial scandal. The nine-man state presidency, which acts as collective head of state, comprises representatives from Yugoslavia's eight republics and provinces as well as the president of the Yugoslav Communist Party.

Like Mr Pozderac, Mr Dizdarevic, 61, is a Moslem. A former diplomat, he has held various high positions, including that of president of the federal parliament.

The election will take some time during which he will continue as foreign minister. The most likely candidate to succeed him is Mr Marko Orlandic, a Montenegrin member of the federal party presidency

Romania fires 'undisciplined' party officials

By Judy Dempsey in Vienna

THE party secretary and deputy party secretary of Dolj County in south-west Romania have been dismissed and are likely to be expelled from the party, Scinteia, the Romanian Communist Party daily reported.

Mr Gheorghe Matei, first party secretary and Mr Ion Stinca, his deputy, were accused of "straying from party discipline." Several other party officials in Craiova, the principal town of Dolj, have also been sacked.

Mr Matei is a member of the central committee of the Romanian Communist Party and Mr Stinca a candidate member, positions they are now likely to lose.

According to Scinteia, several senior party officials neglected their duties. Instead of working to fulfill the plan, they went off hunting.

Polish Communist Party backs reform

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S Communist Party Central Committee has approved General Wojciech Jaruzelski's policies, on which Poles will vote in Sunday's referendum on economic and political change.

The new policies include strengthening local government powers, more tolerance of criticism of official policies and equal rights for the private sector with the state and co-operative sectors.

At a central committee meeting on Wednesday there were only indirect references to ideological opposition within the party to the changes as well as fears that the country's welfare system was about to be dismantled .

The central committee will reconvene after the referendum to take concrete policy decisions and to approve changes in the Politburo and secretariat being planned by Gen Jaruzelski.

Only one of the central committee speeches published yesterday suggested direct opposition to the changes. Mr Bogdan Borys from Czestochowa warned that party members had doubts about the policies.

He demanded that the party clearly say "where socialism ends and another system begins" and suggested that party members be consulted before the central committee reconvenes.

The dominant fear, however, among central committee members is not of political change but rather the steep price rises planned for next year which risk provoking industrial unrest.

For the time being Gen Jaruzelski has decided to play the liberal card. The re-emergence on the list of speakers of Mr Hieronim Kubiak and Mr Jerzy Wiatr, sacked from top party posts in the early 1980s under pressure from hardliners and the Soviet Union, bears witness to this.

Plans for Anglo-Spanish co-operation have hardened colonial attitudes, reports **Charles Hodgson**

Gibraltar's mythical characters resurface

GIBRALTAR airport lies both physically and metaphorically between a Rock and a hard place. Bisecting the flat sandy isthmus that joins the disputed British colony to Spain, the tiny airport has come to symbolise a new struggle in Gibraltar against perceived Spanish incursion.

Sir Geoffrey Howe, the British Foreign Secretary, is expected to propose a plan for Anglo-Spanish co-operation in the use of the airport when he flies to Madrid for annual talks with his Spanish counterpart, Mr Francisco Fernandez Ordonez today.

The plan will fall well short of Spanish demands for joint control of the airport and, despite a proposal to include a declaration stating the agreement in no way compromises either side's position on sovereignty, it has aroused bitter opposition in Gibraltar.

The row over the airport has brought out the classic characters of Gibraltar mythology, most of whom had been left backstage since the opening of the frontier with Spain in February 1985.

On the one side, demonic Spain clamouring to take over the territory ceded to Britain by the Spanish crown under the Treaty of Utrecht in 1713. On the other, the trusty British long-time protectors of the rights of the Gibraltarians. And in the middle the stubborn colonials themselves, with their "no concessions" banners raised.

But today, as Britain and Spain inch closer towards an agreement for limited sharing of the airport, a mood of apprehension has crept into attitudes in the colony towards London. This renewed concern about the future in Gibraltar has accentuated a new sense of identity and self-assertion among the colony's 30,000 inhabitants.

Paradoxically, this has stemmed both from sharply improved economic prospects since the opening of the frontier and from the siege mentality fostered by almost 20 years of isolation.

In the two-and-a-half years since the lifting of the land blockade imposed by Franco in 1969, the colony's economy has begun a mini-boom. Tourists arrive in ever-increasing numbers to jam the narrow streets of the 19th-century centre. Trade with Spain has flourished and, perhaps most importantly for the future, Gibraltar has emerged as a budding offshore financial centre, with consequent demands for new office space.

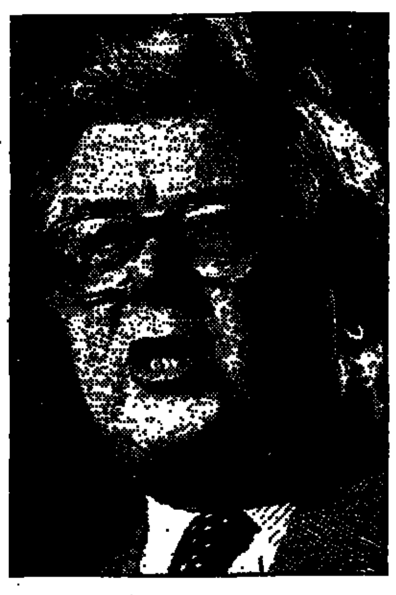
Many Gibraltarians fear these gains will be put at risk by any deal to grant Spain joint use of the airport. They see it as ceding a first foothold that will lead inevitably to a Spanish attempt to scale the Rock itself.

Talks on joint use of the airport, built by the British on the isthmus during the Second World War and still run by the Royal Air Force, have been taking place for the past three years as part of wider negotiations between Britain and Spain on Gibraltar's future.

But the rhythm of bilateral exchanges was rudely interrupted earlier this year, when the airport issue became embroiled in wider European Community moves to liberalise air transport links within Europe.

The EC plan would have classified Gibraltar as a regional British airport, a prospect doubly unpalatable to Madrid because the airport lies outside the territory ceded under the Treaty of Utrecht. Spain blocked approval of the plan and the bilateral talks have taken on a new urgency under pressure from the two countries' EC partners.

Last week the Gibraltar House of Assembly passed a strongly worded resolution against any concessions to Spain, and the colony's trade union movement, representing 80 per cent of the workforce, repeated its threat to black passengers and baggage bound for Spain.



Sir Geoffrey Howe: airport plan will fall short of Spanish demands

"If there is a deal, the British will have to send in a task force to get the aircraft out," warns Mr Joe Bossano, head of the opposition Socialist party and leader of the local Transport and General Workers' Union.

Not all Gibraltarians oppose an agreement on limited Spanish use of the airport. Some local businessmen point to the potential economic benefits that could result. But they have effectively been silenced by the fierce opposition that peaked in a mass demonstration to mark the recent visit of a British Foreign Office official.

The size of the demonstration, in which an estimated 15,000 people took part, and the strength of feeling against Britain's apparent willingness to reach an agreement on the airport, surprised even the organisers.

It served also to underline an important change in attitudes among Gibraltar's hybrid population - a mix of British and Spanish stock with Genoese and Jewish merchants, and North African and Indian traders.

"Our isolation forced us to become introspective and develop a stronger feeling of identity," explains Mr Bossano. "We were a tribe fighting for survival on the verge of extinction."

Many expected the opening of the frontier with Spain to lead naturally to closer affinity between neighbours who, despite nearly three centuries of suspicion, share many common cultural links, not to mention a common language - most Gibraltarians speak a curious dialect of Spanish among themselves.

The resumption of both personal and commercial contacts between the two sides was thought likely to bring Gibraltarians to the realisation that in the longer term a more rational and secure future could only be found in some form of closer association with Spain. But the airport row has served to reinforce the differences, temporarily at least, especially among the younger generation.

"You have now a generation that grew up behind the closed frontier and never knew what Spain was like," says Juan Carlos Perez, an opposition member of the House of Assembly. "In that atmosphere, the concept of nationhood has grown much stronger than it would have otherwise."

"Before the frontier was closed people felt a great deal of pride in everything British, but a strong social identity with the Spanish way of enjoying oneself," says Mr Bossano.

"We were more a mix of British and Spanish without anything specifically Gibraltarian. Now the young feel they are British-Gibraltarians, with the emphasis on the Gibraltarian."

While the practical impact of the unions' threat to black Spanish aircraft using Gibraltar airport is uncertain, the row has served to demonstrate to both London and Madrid the depth of sensitivity in the colony about the issue of sovereignty. Many Gibraltarians feel this has been forgotten since the border opened.

But equally in Spain, the issue of Gibraltar is not one that will fade with time. Mr Felipe Gonzalez, the Prime Minister, has described it as "the stone in our shoe."

Gibraltar is a totem round which all political parties unite, and Spain is certain to raise it again at EC level. A potentially far more damaging conflict lies ahead with proposals to do away with all frontiers between EC countries, under measures to complete the Community's internal market by 1992. How Gibraltar - in the EC but excluded from its customs, value added tax and agriculture policies - will fit into this scheme is as yet unclear.

Despite the passions roused by the airport issue, most Gibraltarians recognise closer relations with Spain are essential if the colony is to thrive. But they insist centuries of prejudice and suspicion will take time to forget. The Spanish move on the airport has come uncomfortably early in that timetable.

Reagan faces tough battle on INF treaty

BY LIONEL BARBER IN WASHINGTON

PRESIDENT Reagan faces a hard fight within his own Republican Party in his campaign for speedy Senate ratification of the superpower treaty banning intermediate range nuclear forces (INF).

Mr Howard Baker, White House chief of staff, said the President is "gonna go full bore" in his efforts to win approval of the treaty, to be signed with Mr Mikhail Gorbachev, the Soviet leader, at the Washington summit next month. The President does not want any amendments or reservations attached to the treaty, Mr Baker said.

Many rate as good the chances that the INF treaty will achieve the necessary two-thirds majority vote in the Senate, but the pact faces opposition from conservative Republicans and scepticism among some Democrats, notably the influential Senator Samm Nunn of Georgia. Debate is expected to start on the treaty early next year.

The last arms control pact signed between the US and the Soviet Union - the 1979 Salt II treaty setting limits on strategic ballistic missiles - was never ratified by the Senate.

Mr Baker, briefing reporters in Santa Barbara where Mr Reagan was celebrating Thanksgiving, linked INF ratification to further progress on talks to reduce strategic weapons. It would be "foolish in the extreme" to wait, he said.

"Its Ronald Reagan's treaty. So I'm sure that the President will be anxious for the Senate to ratify this treaty in this form because he negotiated it," Mr Baker declared.

White House officials concede there is a danger that the INF debate could become caught in the cross-currents of next year's presidential election campaign, hence the appeal for Republican party loyalty to Ronald Reagan.

Yet of the Republican presidential candidates, only Vice President George Bush has given unequivocal support for the treaty. Congressman Jack Kemp and General Alexander Haig, a former Nato commander, have denounced it, and Senator Robert Dole of Kansas has offered only lukewarm backing, citing concern about verification.

Reagan - thorny path ahead

Mr Reagan also faces opposition from a small group of up to 10 conservative Republican Senators led by Mr Jesse Helms of North Carolina, many of whom feel betrayed by the deal with the Soviet Union. Using Senate procedural rules, these Senators could block the treaty for several months.

The White House therefore will be forced to largely rely on the Democrat majority to deliver the votes for ratification. While the Demcorat leadership is broadly in favour of the deal, Senator Nunn, chairman of the Armed Services committee, has reservations.

Senator Nunn has floated the idea of linking the phasing out of medium and shorter range missiles to reductions in Soviet conventional forces in Europe. If the Soviets failed to address the imbalance in tanks and troops, Senator Nunn says a residual number of INF missiles should be retained by NATO.

Senator Nunn said this week: "It's not necessary to ratify a treaty in any particular administration. It might be helpful to serve notice on the Soviets that we are going to have some continuity in policy."

Latin American summit to debate debt

By David Gardner in Acapulco

PRESIDENTS of eight Latin American nations are to meet in the Mexican resort of Acapulco today in the first such summit outside the confines of the US-dominated Organisation of American States.

"This is the first ever meeting called by Latin America's principal leaders with wholly Latin American participation, and a purely Latin American agenda," one regional foreign minister underlined.

The landmark meeting will concentrate on foreign debt, intra- and extra-regional trade and Central America, all issues on which there are considerable differences with Washington.

The Group of Eight, as the new forum is known, was set up last December in Rio de Janeiro, and emerged from the expanded Contadora Group (Mexico, Colombia, Venezuela, Panama, Brazil, Argentina, Peru and Uruguay) which since 1983 has promoted a negotiated settlement to the Central American conflict.

Its other main antecedent is the so-called 11-nation Cartagena Consensus, formed in 1984 to press the region's debt and trade concerns on creditor countries.

The much criticised Contadora group's achievement has been to hold open a door to peace long enough for Central America's leaders to come through with their own simplified plan, signed in Guatemala in August and - if it works - due to be implemented by early January.

The Acapulco summit is expected to respond to peace hopes by reviving an abortive plan put together by Mexico and Argentina this May to refloat the Central American economies.

Since Mexico precipitated the foreign debt crisis in 1982, Latin America has paid over $180bn in interest on total borrowings which have risen to $375bn, over two-thirds of it owed by Brazil ($113bn), Mexico ($103bn) and Argentina ($54bn).

The eight presidents are nevertheless expected to issue a tough statement on debt and trade this Sunday, galvanised by the creditors' lack of will to find an enduring solution.

Mr Jesus Silva Herzog, Mexican Finance Minister in 1982-86, and main architect on the debtors' side of the so-called "payers' cartel", told the FT: "This is the first time since the debt crisis began that the situation of the big three (Latin American debtors - Brazil, Mexico and Argentina) is similar. We could see a new phase beginning, with more co-ordinators, or radical approaches."

Panama asked to oust troops

THE Panamanian Legislative Assembly has approved a non-binding resolution calling on the government to oust the US military's Southern Command in retaliation for a US Senate vote to lower aid to Panama, Reuter reports from Panama City.

The US maintains 10,000 troops in Panama at its Southern Command headquarters, which co-ordinates US military activites in Central and South America.

Members of the legislature said the resolution was a response to a vote last week by the Senate Foreign Relations Committee to recommend that all but humanitarian aid to Panama be suspended until civilian rule is restored.

Air Canada hit by strike action

AIR CANADA'S ground workers said they would launch the first of a series of rotating strikes in a pay dispute in Toronto, **Reuter reports from Montreal.**

The International Association of Machinists said the Toronto walkout by 2,300 mechanics, ramp attendants, cargo agents, aircraft cleaners and baggage handlers would last for 24 hours starting yesterday.

State-run Air Canada carries about 30,000 passengers on 450 flights daily. The airline said the carrier would try to keep flying and was committed to maintaining service to contract clients, such as Lufthansa, the West German airline.

The union took a strike vote on November 4 and the threat of rotating walkouts has cost Air Canada a reported $1.15m a day in lost or cancelled bookings.

Barbara Durr in Lima reports on a new threat to the Government of President Garcia in Peru

'Robin Hood' guerrillas on the warpath

A NEW rural guerrilla front has opened in Peru, posing another threat to the Government of President Alan Garcia. The Tupac Amaru Revolutionary Movement (MRTA), splashed spectacularly on to the front pages and national television with brief takeovers of two towns in the north-west jungle department of San Martin on November 6 and 7.

The Minister of the Interior, Mr Jose Barsallo Burga, initially dismissed the MRTA's actions in San Martin as a show for the press. But the Government then went into reverse and President Garcia last week declared much of the department a military emergency zone and sent in the army.

With the addition of San Martin, parts of seven of Peru's 24 departments, including Lima, the capital, are now under a military state of emergency.

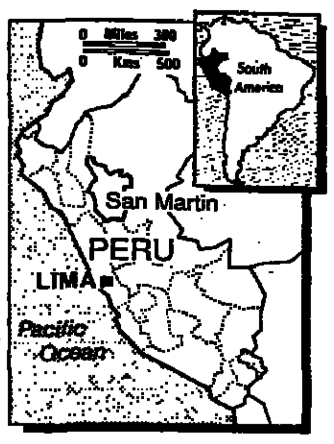
In most of the emergency zone, the principal threat up to now has come from the fanatical Maoist guerrillas of Sendero Luminoso. Since Sendero began its armed rebellion in 1980, 10,000 people have died, many killed in repressive sweeps by the army and police.

While Sendero Luminoso wants to demolish Peruvian society to rebuild a peasant-based communist system – a programme many have compared to Pol Pot in Cambodia – the MRTA aims for a more conventional socialist government and styles itself on the Cuban and Nicaraguan revolutions.

In spite of connections to Colombia's M-19 guerrillas, it claims that it receives no financing from abroad. Its money comes from "war taxes" on companies and banks and from robberies, according to the MRTA.

The MRTA, launched in November 1984, was previously only an urban guerrilla group whose main actions were what is known in guerrilla war parlance as "armed propaganda."

They hijacked trucks carrying food, which they then distributed Robin Hood-style to the poor, and bombed targets such as the US Embassy, US corporations and Peruvian banks, which they regarded as symbols of capitalist oppression. Their bombings have usually claimed few victims.



In part for its Robin Hood activities and because it differentiates itself from the bloodier Sendero Luminoso, the MRTA has won the odd distinction of being "the good guerrillas."

Unlike Sendero Luminoso, which shuns publicity, the MRTA has taken pains to present itself and its new rural guerrilla front to the Peruvian public. Demonstrating a sophisticated sense of propaganda, the guerrillas allowed a television crew to film their takeover of the small town of San Jose de Sisa on November 7, gave press interviews and were photographed dancing and laughing with local people.

Commander Rolando, its commander in the north-west region, called on the left wing of the ruling American Popular Revolutionary Alliance, the United Left, the largest electoral left coalition, and the Church to form a united front for peace and justice.

President Garcia's swift reply was to send the army to the area. He also called on the MRTA, "because of the character of the new armed group," to give up its weapons and integrate itself into the democratic process "to save Peru from blood and violence."

The MRTA has responded with a nine-point platform of demands that includes expulsion of foreign banks, nationalisation of foreign companies, a debt moratorium, salary increases, subsidies for basic goods and freedom for political prisoners – an agenda not markedly different from that of the more radical legal left parties grouped in the United Left. Many analysts say that the MRTA's main political goal is, in fact, radicalisation of the left.

This week, the left is holding a "National Popular Assembly" in the shantytown district of Villa El Salvador in Lima, where its agenda for the next several years is to be decided.

The MRTA has called on President Garcia to consider negotiating with the assembly, on which it has had significant influence through above-ground extreme left-wing movements. The President has rejected this proposal.

Mr Garcia, whose popularity has fallen dramatically, now finds himself in even worse trouble. His bank nationalisations have resurrected the political fortunes of the right wing and now he faces an increasingly radical left wing with considerable popular appeal.

UK bank creditors join $4.5bn Brazil financing deal

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

BRAZIL'S main British bank creditors have agreed to join a $4.5bn interim financing package designed to end a nine-month moratorium on Brazilian interest payments on its foreign debt.

Their agreement follows early opposition to the financing from two of the main creditors, National Westminster and Barclays. After intensive negotiations, the nine UK banks concerned have either made a commitment to the package or are expected to shortly.

National Westminster, understood to have been the most vociferous in opposing the deal, indicated yesterday it had responded positively to the financing request. Barclays also said it had committed itself yesterday.

However, the UK banks will make a firm statement about their concerns over the package, underlining their view of the importance of a medium-term IMF programme for the country and the necessity for Brazil to keep current on interest payments in the new year.

The statement will be added to telexes of acceptance being sent to Citibank, the leading creditor bank, and to the Brazilian central bank,

Initial opposition to the deal was based partly on the view that it had been cobbled together in Washington to allow US regulators to avoid an imminent downgrading of Brazilian debt.

The agreement by the British banks more than a week before the December 8 target date should boost the deal's prospects. Most indications from other financial centres have so far been positive, but it is too early to tell whether the deal will be completed.

The package calls for the 70 or so main creditor banks - responsible for more than 85 per cent of its medium-term bank debt - initially to advance $1bn to Brazil between December 14 and January 11, and for Brazil to repay $1.5bn, taking care of the interest due during the last three months of this year.

FAO chief calls for big relief effort in Ethiopia

A SENIOR United Nations' aid official said yesterday that up to 6m Ethiopians could face starvation because of drought and the country needed as much food aid now as during the disastrous 1984-85 famine, Reuter reports from Rome.

Mr Peter Newhouse, head of the UN Food and Agricultural Organisation's Global Information and Early Warning System, said: "Only a massive relief effort will avert widespread famine."

He said that the Addis Ababa government had recently estimated its food relief needs for 1988 at more than 1m tonnes. He said this "is on a scale with needs during the 1984-85 crisis" in which tens of thousands of people died.

Mr Newhouse said a FAO crop assessment team was currently in Ethiopia "but on the basis of preliminary analysis we think relief needs will be greater than the government figure rather than lower."

He said 5-6m people were in the affected area and this figure could rise.

Aid pledges for Ethiopia were coming in all the time and had now passed 500,000 tonnes, about half the amount needed. "I think that food aid will be mobilised. There is a tremendous recognition of the problem."

But he said there would be great difficulty in getting the food to those who needed it quickly.

Guerilla operations have disrupted aid deliveries in the worst affected areas of Eritrea and Tigray but Mr Newhouse said that in any case transporting such huge supplies of food would present major logistical problems.

"You are talking about moving vast quantities, over 1m tonnes. This strains the whole logistic infrastructure in the country," he said.

As well as food aid Ethiopia would need help with trucks, port handling facilities, fuel and a whole range of other logistic support.

He said that aid would have to be delivered at a rate of 100,000 tonnes a month in 1988. "I think only once during the '85 famine did deliveries reach that level. So it's a major strain on the distribution system.

"I think it is now inevitable that there has to be airlifting of supplies. I don't think we can cope through the normal distribution chain," he said.

But he said airlifts could only transport a small proportion of a huge amount of supplies and would be used to take urgent aid to worst hit areas.

Mr Newhouse said famine threatened Ethiopia because of large scale failure of the current harvest, which accounts for 90 per cent of the country's production.

Damage from drought was particularly bad in Eritrea and Tigray but large parts of Wollo and Hararghe as well as isolated pockets elsewhere were affected.

The result would be severe shortfalls throughout 1988. "Now that this main season harvest has failed in these areas it is now absolutely certain that there is a major problem until the next main season harvest comes at the end of 1988. There is no other source of food apart from the small secondary harvest in the early party of the year," he said.

He added: "We are receiving reports of people moving into camps, looking for food. That is always the first sign.

"It is going to develop and it is going to develop rapidly unless we can pump food into these areas on such a scale to keep the people at home. We want to avoid the opening of camps, we want to avoid people trekking across country looking for food, this is the aim."

Pretoria spurns UN on Angola

By Anthony Robinson in Johannesburg

SOUTH AFRICA itself, not the United Nations, would decide when to withdraw its forces from Angola, Mr Pik Botha, the Foreign Minister stated after rejecting a Security Council resolution calling for unconditional withdrawal of South African forces.

South Africa, he added, reserved the right to ensure its security and said its forces would pull ou "when all other foreign troops and military advisers were withdrawn or when South Africa's security interests were no longer directly affected by the present Soviet/Cuban supported campaign".

South Africa has admitted supporting Unita rebels in fighting over the last two months, in which it claims over 4,000 Angolan soldiers have been killed and \$1bn of Soviet military equipment destroyed.

Mr Botha blamed the Angolan MPLA Government for the 12-year civil war. He said the war broke out after the MPLA had refused to abide by its January 1975 Alvor agreement with Portugal and two other liberation movements, the FNLA led by Dr Holden Roberto and Unita led by Dr Jonas Savimbi.

Ian Davidson on a study of the barriers to growth in Europe

Questioning conservative wisdom

A 600-page study of the barriers to European growth, published by Washington's Brookings Institution, urges further liberalisation of labour and product markets. But it also argues liberalisation of labour markets and cutting unemployment may need the stimulus of faster economic growth.

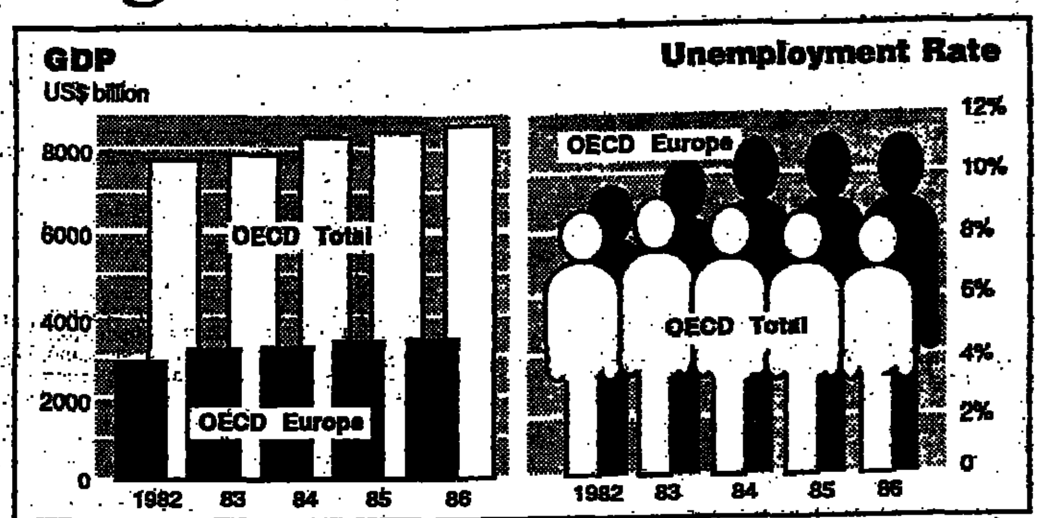
At the same time, the study (edited by Charles Schultze and Robert Lawrence) discounts a number of the conventional explanations for Europe's low growth and high unemployment.

Whatever the difficulties caused by the large size and growth of European welfare states, the authors could not find evidence that generous unemployment compensation was a major cause of rising unemployment.

Similarly, while they argue for reform of the taxes on capital income in Europe, they did not find current European tax systems played a significant role in reducing European investment over the past 20 years.

They did not find Europe was confronted with faster change in the structure of labour demand, or in its international competitive environment, nor that rising unemployment had been caused by automation or trade with developing countries.

Europe was not penalised by relatively high real interest rates or costly financial markets, and the reluctance of European governments to adopt more expansionary fiscal policies could not be rationalised on solvency grounds. And in the short run, the external constraint was not a primary explanation for Europe's low growth: any government could expand domestic demand and find ways to finance the accompanying trade deficit without a serious deterioration in its exchange rate.



In some European countries, such as Germany, France and Italy, the study finds there is room for non-inflationary stimulus, on the grounds that the unemployment rate is above that which might be needed to avoid speeding the rate of inflation - the Non-Accelerating Inflation Rate of Unemployment.

But the purely Keynesian component of the unemployment problem is not very large, and in the UK the authors could find no evidence that wage inflation had been behaving in a way indicating a natural rate of unemployment below the current rate.

Significantly, the study does not endorse the simple thesis that Europe's high rate of unemployment can be attributed to the wage explosions of the late 1960s and the subsequent failure of wage aspirations to adjust to lower productivity growth in the 1970s. The component of unemployment in Germany, France, Italy and the UK traceable to this factor is no longer large.

Instead, the editors believe most of the rise in unemployment stems from two sources, both associated with the latest buzz-concept: hysteresis, a new way of saying markets are imperfect, and unsatisfactory situations perpetuate themselves.

The first factor, they believe, is rigidity in the fixing of wages, especially in the UK but possibly also in other countries. The second is increasing structural rigidity in European labour markets, characterised by a reduction of labour force flows among firms, industries and regions into and out of unemployment.

In short, they say: "Europe's sustained experience with high and rising unemployment may have led to protective mechanisms and rigidities that helped perpetuate the unemployment."

The central thesis of the Brookings study is that the authors take issue with the current conservative wisdom in Europe - that rigidities and inflexibilities in labour and other markets will only be wrung out by persistent discipline, and that expansionary macro-economic policies at the present time would relax that discipline before the cure was effected.

They argue, on the contrary, that the prospects for structural reform through liberalising markets and increasing mobility of resources would be much better, politically and economically, in an environment of growing output and employment.

Virtuous circle

"However necessary the recent restrictive policies may have been to reduce inflation and to moderate real wage aspirations," they say, "there is little evidence they have improved the flexibility and adaptability of European economies. Indeed, our discussion of the possible hysteretic component to labour market rigidities suggests slow growth may have made matters worse.

"European unemployment has lost some of its force to moderate wages, and it may be exacerbating labour market rigidities. To some extent high unemployment creates the conditions for its own perpetuation. If so, an initial successful effort to lower unemployment could pay multiple dividends and help turn a vicious circle into a virtuous one through its effect in improving the structural characteristics of Europe's labour markets.

"It is the likelihood of a positive relationship between employment growth and a reduction of rigidities that is at the core of our preference for a policy combining expansionary macro-economic policies with structural reform".

Unemployment benefits. Gary Burtless of the Brookings Institution contributes a detailed examination of the role of unemployment benefit schemes in Britain, France, Germany, Sweden and the US. "I find little to support the view that differences in jobless pay can plausibly explain the differential trends in unemployment in Europe and the United States...For two decades jobless benefits have been less generous in the United States than in Europe, yet for most of the past 20 years, unemployment has been higher in the United States than in Europe... Furthermore the trends in joblessness within individual countries do not correspond well to trends in the generosity of benefits. Only in France has a significant rise in joblessness coincided with a major increase in the generosity of unemployment benefits.

"The most plausible interpretation of the evidence," he concludes, "is that generous jobless benefits have slowed down the re-employment of jobless workers in three of the four European countries examined - Britain, France and Germany. But this effect of jobless pay is far too small to explain the large rise in unemployment durations in Europe or the enormous rise of unemployment in Britain, France and Germany compared with those in Sweden and the US."

Pay Compression. Robert Flanagan of Stanford University argues the main source of joblessness has come from the hire side of the hire-and-fire balance: people are not much more likely to lose their jobs, but unemployment among new entrants to the labour force and inexperienced workers has increased.

The main source of increased joblessness is the reduced probability of the unemployed finding jobs: thus longer unemployment accounts for most of the growth of European unemployment. He argues pay compression, or the reduction of wage differentials, may help to explain these facts, because it discriminates against hiring outsiders (whose merits are unknown) or the young (whose inexperience is a disadvantage).

"This interpretation also explains the paradox that long job tenure is perceived as a 'good' in Japan but as a 'bad' in Europe. In Japan, employers have considerable control over their wage structure and in the largest companies wage-tenure profiles are very steep. Indeed, profiles are considerably steeper in Japan than in the US, where they are in turn steeper than in Europe."

British dilemma

Trade Performance. Robert Lawrence of the Brookings Institution rejects the proposition that foreign trade has in general been linked to the decline in European growth rates, though the UK is a major exception. On the evidence, France, Germany and Sweden were in the past able to match OECD growth rates of 3 to 4 per cent without requiring improvements in their terms of trade: trade actually added to output and employment, while the major source of the declining share of manufacturing in some economies stems from changed patterns of domestic use.

"The British dilemma is more disquieting," he says. "Judged by almost all criteria, the UK has deindustrialised over the past two decades. Trade reinforced declining domestic use of manufactured goods, and losses due to trade accounted for almost half the 31 per cent decline in manufacturing employment between 1973 and 1985."

He argues that the fairly recent deterioration in the French trade performance is probably due to French industrial policies since 1980 (i.e. under the previous Socialist government): "In the UK the problems appear more endemic."

Financial Markets. Robert Aliber of Chicago University accepts that the comparative weaknesses of the financial markets in Western Europe - the lack of liquidity, the paucity of information, the small scale, the segmentation by 20 currencies - may well lead to higher interest rates. But he argues that these institutional shortcomings are overshadowed by the lack of investment demand in Europe and the lower level of anticipated profitability.

External Constraints. Richard Cooper of Harvard University analyses six episodes in post-war history in which European countries were apparently forced by balance of payments problems to adopt slower growth policies: the UK in 1974-76, Italy in 1975-77, Germany in 1979-81, France in 1981-83 and Denmark in 1979-84.

"In the end, changes in domestic policy occurred in all of the episodes, but it was not the external constraints that forced the change in policy, but discomfiture by domestic policy-makers with the consequences of their current line of policy...The countries could have borrowed much more."

"If the OECD countries act together in raising their non-wage government expenditure by 1 per cent of GDP, with accommodating monetary policy, the output multipliers are increased from 0.9 to 1.5 in the case of individual countries, to 2.2 when European countries act together, to 2.9 if all OECD countries act together. The current account deterioration drops to about one third the level (relative to GDP) if Europe acts together as compared with individual countries acting alone."

The editors stress that Germany, as Europe's strongest economy, has a key role to play in economic expansion, and argue it could grow 1 per cent faster than the OECD for three years without driving its current account into deficit. Richard Cooper suggests the other European countries might need to co-ordinate faster economic growth without waiting for Germany: "It is important for Europeans to appreciate the German phobia about current account deficits. The Federal Republic, the largest country in Europe, is one of the most reluctant to take steps that risk worsening its current account. It would much rather be a caboose than a locomotive."

Barriers to European Growth: a Transatlantic View. Robert Z Lawrence and Charles L Schultze, editors. Brookings Institution, Washington DC

Sir Joh refuses to resign after party revolt

BY CHRIS SHERWELL IN SYDNEY

SIR JOH BJELKE-PETERSEN yesterday precipitated a constitutional crisis when he refused to resign as state premier of Queensland after being replaced as leader of the state's parliamentary National Party.

The Australian political and social establishment was last night watching developments unfold with riveted interest, because it appeard to mark the end of an era. It also echoed the national crisis of 1975 in which the Whitlam Labour government was dismissed in Canberra.

The new state National Party leader and putative Queensland Premier is Mr Mike Ahern, the former state Health Minister, who became a backbencher when 76-year-old Sir Joh sacked him and two other ministers earlier this week.

Mr Ahern won the overwhelming support of his parliamentary party colleagues at a special meeting which removed the maverick Sir Joh yesterday. He said it was only a matter of time before he became state Premier.

In refusing to resign as Premier - a post he has held for 20 years - Sir Joh placed Sir Walter Campbell, the Governor, in a difficult position. But the Governor chose not to sack him immediately, apparently preferring to await fresh developments.

The confusion may finally be clarified in Parliament, which Sir Joh has reconvened for next Thursday on the Governor's advice. But the position then may still be complicated by the fact that Sir Joh made the Speaker a minister in the wake of this week's sacking.

The three dismissals ordered by Sir Joh followed an earlier attempt by him to remove five members of his Cabinet. The Governor successfully counselled against such drastic action.

The five included Mr Bill Gunn, the Deputy Premier and Minister of Police. Unlike Mr Ahern he remains in Sir Joh's Cabinet. The Cabinet in turn continues to run the state government, although technically the premiership should now pass to Mr Ahern.

Speculation increased last night that Sir Joh might be persuaded to resign or retire before next Thursday's sitting, thereby avoiding constitutional embarrassment when Parliament reconvenes.

Such a move might also avoid the need for an early election. The Labour Party opposition, itself badly split in Queensland, said last night that an election offered the way through the morass. But this was disputed by the opposition Liberals, who argued that it should be settled in Parliament.

This week's drama marked the climax of months of growing controversy within the Queensland National Party over Sir Joh's long leadership. Earlier this year the Premier launched an abortive bid to seize the Opposition leadership federally, and then suffered grave embarrassment over a continuing inquiry into official corruption.

OECD backs NZ farm policy

BY DAI HAYWARD IN WELLINGTON

THE Organisation for Economic Co-operation and Development has endorsed the economic policies of the New Zealand Labour Government. It says reduced support for agriculture and manufacturing will eventually lead to a healthier economy.

The organisation, which is made up of the leading Western industrial nations, says policies pursued by previous governments created distortions, protecting farmers from changes from world markets. Government protection for farming had eventually accounted for 20 per cent of the agricultural industries, the report says. New Zealand farmers would be able to adjust more easily if other countries reduced their own assistance to their farming industries, it says.

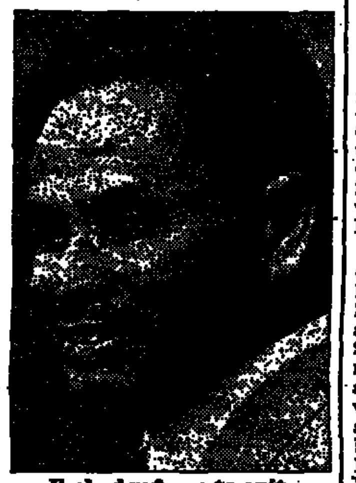
The report forecasts that the importance of agriculture to the New Zealand economy would decline as manufacturing industries expanded. In the 1970s agricultural exports made up 80 percent of the countrty's total exports. This has dropped to just over 60 percent in the 1980s.

The current policy objectives of the Government are not to guarantee a reasonable standard of living to any particular commercial group but to have a tax and the welfare system to provide a safety net for those truly in need.

Ershad bans Dhaka rallies and marches

BANGLADESH has imposed a 30-day ban on marches and rallies in Dhaka to counter a fresh wave of opposition protest against President Hossein Mohammad Ershad, **Reuter reports from Dhaka.**

"All rallies, processions, demonstrations and carrying of lethal weapons in the capital are banned for 30 days," the city's police chief said on Wednesday night.



Ershad refuses to quit

The ban was imposed after the 21 opposition parties announced plans for fresh rallies in the next three days in a warm-up to a new 72-hour general strike called for Sunday.

Mr Nasrullah Khan, the Dhaka police chief, said in his order that the ban was needed to ensure that protesters did not disturb peace. "The environment for normal functioning of offices was being destroyed during the last few days by rallies and demonstrations organised by some political groups," he said.

He issued the ban after police had arrested about 20 opposition activists at anti-government rallies in Dhaka on Wednesday. Among those arrested was Mr Syed Ishtiaq Ahmed, a former Attorney-General of Bangladesh.

The opposition called the latest strike after 192 hours of anti-government stoppages it has organised since November 10. That series of strikes ended last Tuesday. Eleven people, including two policemen, have been killed in bombings and police shooting during the action.

Sunday's stoppage is aimed at forcing the resignation of President Ershad, a former army general who has ruled Bangladesh for nearly six years. He denies opposition charges that he has retained power through corruption.

Mr Anwar Zahid, the Information Minister, said early this week the strike wave had cost Bangladesh, one of the world's poorest nations, $50m a day in lost production and exports.

President Ershad has refused to resign. He said leftists were behind the violence and he ordered a fresh crackdown on dissidents.

Officials in the ruling Jatiya Party said the Government would try to break the Sunday strike. It has already asked transport companies to keep their vehicles on the streets and offered compensation for any losses caused by violence.

But the party officials admitted that such steps could exacerbate the situation. "We have no option as long as we are in the Government. You cannot let violence go unchallenged. If you do, you have no business to be in the Government," said one Jatiya official who declined to be named.

Soviet Gulf policy condemned

By Angela Dixon in Dubai

MR DAVID MELLOR, Britain's Minister of State for Foreign and Commonwealth Affairs, sharply criticised Soviet policies on the Gulf War, and implied that the Soviet Union was treating separately with Iran.

"There is one reason and one reason only that work has not been done on the follow-up to resolution (598), and that is the refusal of the Soviet Union." Mr Mellor was referring to the imposition of an arms embargo on Iran, which he said had been agreed by all permanent members of the Security Council last September, but "nothing has been done".

"It should be a matter for all who want to see peace not to allow whatever arrangements between the Soviet Union and Iran... to stand in the way. We say, whatever you're up to, stop it."

Mr Mellor made the remarks at the end of a week-long tour of Oman and the United Arab Emirates during which he met leading personalities in the area, including the Sultan of Oman, the Crown Prince of Abu Dhabi, and the UAE ministers of Defence and Foreign Affairs.

He also visited a British tanker, which brought home to him, he said, "in human terms, how unacceptable the tactics of the Iranians are". Britain has ten naval vessels assigned to the Gulf - three frigates, four minesweepers and some supplyboats - and has had a presence there for the protection of merchant shipping since 1980. During the past year 320 vessels were escorted through the Straits of Hormuz at a rate of 10-15 per week.

"Britain does not supply arms to either side in the Gulf War," he said, although there was no law against it. "My concern is to get an embargo put in place, although the prospect of this has now diminished."

Meanwhile, Mr Felix Fedotov, the Soviet ambassador to the UAE, refuted charges that the Soviet Union was dragging its feet on Resolution 598, but added that an arms embargo could be counter-productive.

Sri Lanka pay rise delay sought

MR P.C. IMBULANA, the Sri Lankan Labour Minister, said yesterday that the employers federation and the main chambers of trade wanted at least a month to report on how they could make salary and wage adjustments in line with the Finance Minister's pay proposal announced in his recent budget, **Mervyn de Silva reports from Colombo.**

The federation, whose membership accounts for well over half the 3.5m employees in the island's private sector, told Mr Imbulana that a preliminary study showed that most lower grade private sector workers got as much or more than state sector employees even after the present wage increase. The problem for the private sector is that many of its members have signed collective agreements with the unions and the pay rises have to be worked out in terms of these legally binding pacts.

Chris Sherwell on a trade-dependent, vulnerable economy in need of belt-tightening

Australia prepares for painful adjustments

AUSTRALIAN markets reacted cautiously this week to last Friday's US budget deficit pact, belatedly agreed in the wake of the worldwide share market collapse.

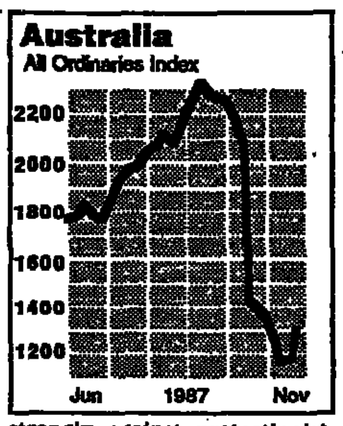
So too did the Canberra government. The pragmatic Labour administration of Mr Bob Hawke, presiding over a resource-based economy heavily dependent on trade, is under few illusions that a world recession would be a major setback for the country whose two principal economic problems are a large current account deficit and voluminous external debt.

The deficit stood at A$13.6bn ($5.23bn) in July, or 5 per cent of gross domestic product, while gross foreign debt, at A$110bn, was around 40 per cent.

Both figures are among the highest of the OECD countries, and reductions depend on two key factors: buoyant world trade, which means continued growth and reduced protectionism among developed countries, and painful structural adjustments at home.

Following the share price plunge, Mr Hawke joined other leaders in expressing public concern about the swollen US budget and trade deficits. But Australia has benefited from US growth, so he is also hoping stimulative moves by Japan and West Germany will offset Washington's corrective actions.

Over the past 18 months his government has also campaigned strongly against protectionist moves in the US, Japan and the European Community, and through the General Agreement on Tariffs and Trade for agricultural trading reform.



None of this, however, has removed the need for domestic adjustment. Labour followed policies that were too expansionary after winning power in 1983. At the same time the country suffered a drastic decline in its terms of trade.

To deal with the problem, the Government has already gone further than most people thought possible. But the scale of the current account deficit and external debt reflect the degree to which Australians have continued to live beyond their means.

For most analysts, therefore, the share market collapse has simply emphasised that the adjustments have not gone far enough and must, if anything, be speeded up.

It is no coincidence that share prices fell further in Australia than in any comparable market, with the All-Ordinaries index (covering 325 stocks) plunging from 2,305.5 at its peak on September 21 to 1,150.5 on November 11.

Likewise, the Australian dollar's trade-weighted index, which measures the currency against those of Australia's main trading partners, fell from 56 (May 1970 = 100) to below 51, weakening faster than the US dollar as the country's vulnerabilities were recognised.

In recent days both the share market and the currency have recovered a little of the lost ground. But there is still real uncertainty about the outlook.

On Wednesday Mr Paul Keating, the Federal Treasurer and the government's key policy-making figure, drew encouragement from pre-crash quarterly growth figures and suggested the economy was on course for the 2.75 per cent growth for 1987-88 forecast in last August's budget.

But he has also acknowledged that the share market collapse will have a negative impact on consumer demand - and therefore on Australian growth - and that balance of payments figures will be worse than expected.

Although he handed down a balanced budget in August and says he will only introduce a mini-budget if that becomes necessary, the general expectation is that he will have to act to deal with the changed circumstances early next year.

For individual Australians that is likely to mean further belt-tightening. Yet for most the share market collapse has so far made little difference to their lives because they are not share owners.

If anything there has been a clear benefit, in that the shift of money to the banks has resulted in a welcome cut in home loan interest rates.

The collapse has nevertheless hurt overall business and consumer confidence and the reverberations will show up in investment, which has long been sluggish, and in personal spending, which may dampen pre-Christmas activity.

The trend will be compounded should one of Australia's better-known entrepreneurs fail. So far only one relatively minor figure has actually fallen, but there are jitters over others. One Perth financial institution has had to be bailed out of trouble, while all the major banks have increased their provisions for bad debts.

One immediate macro-economic issue facing the Government concerns the size and timing of another wage rise for Australian workers.

Over employer protests, the Government will accept a further addition to labour costs to preserve overall restraint and relative industrial peace. It is also successfully promoting productivity-based wage increases to encourage greater efficiency.

Another issue is privatisation of such operations as Qantas, Australian Airlines, the Overseas Telecommunications Commission and the Commonwealth Bank. The share market collapse has reinforced Labour resistance to privatisation and meant a reverse for Mr Hawke, who has strongly promoted it.

In the longer term there are more difficult issues any Australian government must get to grips with. Generally there is a need to restrain spending and borrowing by the states, to lift the level of domestic savings and to increase productive investment.

Other changes are also required - reductions in tariffs protecting domestic industry, deregulation of transport, relaxation of regulations hampering business, further reforms to taxation and changes to the institutionalised labour relations system.

Mr Hawke and Mr Keating know all this well enough and are tackling the problems, but have followed a deliberately gradual strategy in order to keep the lid on unemployment.

If Australia and the world are now headed for recession, that strategy will come under severe challenge

Peter Montagnon on the profound implications of a new classification system

Sweeping changes to revolutionise tariffs

TRADE politics is full of clever arguments. One produced recently by the US was that tariffs themselves can be a form of non-tariff barrier if the administrative machinery for dealing with them is cumbersome and unwieldy.

The argument was raised in the context of sweeping changes in the international system of tariff classification which are due to come into force in January, and which should, if Congress agrees in time, put the US on the same basis as most of the rest of the world.

Most people tend to regard the actual business of tariff administration as a dull subject beloved of learned clerks, customs officials and ministry paper-shufflers. This may be the reason why the changes looming in January have so far received little broad publicity. In fact their implications could be profound.

Not only will it bring two important trading powers - the US and Canada - into line with general international practice on tariff classification. Proponents of the new system believe it is inherently much simpler, more flexible and transparent than present arrangements.

Its adoption should mean that it will become technically easier to negotiate tariff cuts in the General Agreement on Tariffs and Trade. It should also open up new ancillary opportunities for industry. Shippers will be able to use it for goods classification, airlines to control their component inventories and ultimately, though they have been slow to move, freight insurers may adopt it for risk and premium calculation.

The underlying motivation behind the new system, which rejoices under the worthy name of Harmonised Commodity Description and Coding System (HS) is the drift towards so-called paperless trading, under which administrative procedures concerning trade are increasingly handled by computers. It is a trend for which the present international system of tariff classification is ill-suited, not least because it dates back as far as 1950.

Like the present system, operated by some 149 countries, HS was negotiated under the auspices of the United Nations Customs Co-operation Council in Brussels. From January it is expected to be adopted by around 100 countries and by the end of the year by as many as 160. The major gaps will be countries like the Soviet Union and the Gulf States, which do not use tariffs, and China, which is expected to require a couple of years of transition.

Negotiating the harmonised system has been a complicated process that has taken years to complete. The old system was archaic, covering only around 1,000 main product headings in which there was no easy room for innovative products like disk-drives and semiconductors that simply did not exist in 1950. The new one has around 5,000 headings which can be divided into more rational sub-groups. It also contains a built-in flexibility that can incorporate new products as they come onto the market.

Proponents of the new system believe it is simpler, more flexible and transparent than present arrangements

Tough as this proposition was from a purely administrative point of view, it was compounded by the need to reset large numbers of tariffs which were previously "bound" under Gatt so that the new system could be matched to countries' existing obligations.

This has been carefully constructed to be neutral in its overall effect, but will bring some changes to individual tariff rates that could come as a surprise to the market. For example, EC tariffs on some mechanical scientific instruments will rise sharply. The reclassification of circuit boards and disk-drives has already upset industry in the US.

UK officials believe that the new system will reduce the scope for "political" tariff decisions to be taken by the US. During the reclassification negotiations the EC was able to reduce tariffs that would have been applied to raincoats, following pressure from manufacturers such as Burberry and Aquascutum to reduce rates on certain textiles, though a dispute continues over wool textile blends.

Moreover, in what could turn out to be an important precedent, the US has agreed that definition disputes should be settled by a special committee of the Customs Co-operation Council which will have binding powers.

The US was one of the main supporters of the new system and itself suggested the start-up date of January 1. However, legislation to ratify it is contained in the omnibus trade bill which may not have passed by then.

That would simply mean the US would continue, for the time being, to operate its own system of tariff classification, but it would add to the potential confusion for exporters.

The introduction of the new tariff codes comes on top of the launch of the new EC Single Administrative Document for customs declarations, causing what the UK believes is the biggest shake-up in customs procedures since Britain joined the Community in 1973. It will involve exporters and freight forwarders in a major administrative change.

UK exporters are legally obliged to ensure that they are using the right tariff codes for their products. Despite the best educative efforts of the Government, some are expected to get the new system wrong and this could result in some disruption to trade in the early months of next year.

Worries persist about the degree to which other Community countries such as Greece have prepared their exporters for the change.

Though designed to make everybody's life easier in the long run, the new system may yet suffer a frustrating and uncertain birth.

US computer industry attacks moves on tariffs

BY LOUISE KEHOE IN SAN FRANCISCO

US EFFORTS to "harmonise" the product classifications used to determine import duties and tariffs have drawn sharp criticism from the US computer and electronics industries. The move could also intensify trade friction with Japan and Canada.

Two major computer-related product categories have been reclassified by the US Customs Service as part of the proposed "Harmonised Commodity Description and Coding System," which is awaiting Congressional ratification.

The changes impose import duties on computer subsystems brought into the US. This will force US computer makers that buy or make the equipment offshore to pay duties on imports.

Trade groups and individual companies have protested but the US Administration has backed a Customs Service decision to classify circuit boards containing microprocessors as "computers" rather than "computer parts."

As computer parts, the circuit boards have been imported duty free, but under the new classification they would carry a 3.7 per cent import duty.

US personal computer makers with offshore suppliers would be particularly affected. Those that buy or make circuit boards in Japan face the additional problem of 100 per cent tariffs imposed as part of President Reagan's retaliatory tariffs for Japanese violations of the US Japanese Semiconductor Trade Agreement.

Although some of these tariffs were recently lifted, they have been retained on Japanese-made high performance personal computers, and according to the Customs Department, on the circuit boards used to build these computers.

US disk drive companies with offshore manufacturing and US buyers of foreign-made disk drives are also affected by the reclassification. Disk drives would be reclassified as dutiable finished goods. Previously, only stand-alone disk drives were subject to import duties while the types commonly packaged inside personal computers were duty free.

As well as raising costs for US computer systems manufacturers, the changes would violate international trade agreements, industry executives suggest.

Two years ago the US, Canada and Japan agreed to abolish tariffs on computer parts. "If we fail to meet our obligations under the agreements, tariff-free access to the Japanese and Canadian computer markets could be jeopardised," the industry group said.

The circuit board reclassification could also upset US trading partners, especially Japan, industry experts said.

Brazil acts to defuse US software row

BY IVO DAWNAY IN RIO DE JANEIRO

BRAZIL is taking rapid steps to reduce the impact of its controversial import restrictions on information technology and software in an apparent bid to avert retaliation from the US.

This week the Special Informatics Secretariat (SEI), the government agency that controls import licences, announced that the policy aimed at developing nationally-manufactured products similar to imports from foreign countries has been abandoned.

In addition, Conin, the interministerial advisory council on the sector, called on Congress to back an amended software law that, it claims, will make the importation of foreign equipment easier.

Conin also appointed Mr Luiz Carlos Bresser Pereira, the Finance Minister and a noted "dove" on the issue, to act as final adjudicator in the row over SEI's ban on the sale of Microsoft's MS-Dos software in Brazil.

It was this ban, imposed unilaterally by SEI in September, that triggered the US Government's decision this month to impose punitive tariffs on $105m of Brazilian exports. The Americans claimed that the ban represented a *de facto* extension of import barriers into the software field.

The Brazilian action also violated accords negotiated in 18 months of bilateral talks that required consultations, transparency in decision-making, and appeals procedures, the US argued.

Brasilia's immediate response was to attack the decision as disproportionate, discriminatory and a violation of the General Agreement on Tariffs and Trade. But Brazilian exporters, now under threat of US reprisals, have been stepping up pressure on the government for action to defuse the row.

A measure of their influence came at the Conin meeting on Wednesday. Mr Jose Ezil da Veiga Rocha, SEI's chief executive usually regarded as a strong advocate of a tough import policy, told the council that the new software law would allow the introduction of more sophisticated software such as the US company's OS/2 programme.

"We need to make the policy more flexible," he was reported as saying.

The majority of Brazilian businessmen have appeared more critical of SEI than of the US in their evaluation of the case. Mr Eugenio Staub, the representative of private sector commercial and industrial interests on Conin, attacked the agency for "the grave error" of allowing a small software case to develop into a row of international dimensions.

One business organisation - the Brazilian Association of Commerical Exporters - believes, however, that the dispute could serve to demonstrate to the US the importance of Brazil as an export market.

The association, which has hired Washington lobbyists to make its case, claims that co-ordinated action by Brazilian importers of US goods could force the US to withdraw its reprisals without forcing a general revision of the new software bill.

De Clercq: standstill call

EC unveils plan for copyright protection

By William Dawkins in Brussels

MR WILLY DE CLERCQ, the European Commissioner for external trade, yesterday presented the EC's proposals for worldwide protection for intellectual property rights.

They have been tabled in Geneva for the current round of negotiations in the General Agreement on Tariffs and Trade and will be followed before the end of the year by wider EC plans for liberalising world trade in services.

Brussels is arguing that intellectual property should be governed by Gatt's general principles of equal national treatment, designed to ensure that foreign intellectual property receives the same legal protection as that afforded to local national counterparts.

That stipulation touches on a sensitive issue between the EC and South Korea, where the Community maintains its exporters are given less protection against local counterfeiting than their US competitors.

The EC also wants Gatt signatories to be obliged to publish openly any regulations on intellectual property and to ensure that they do not restrict free trade.

Commission officials are meanwhile putting the finishing touches to a proposal for services, such as insurance, banking, transport and telecommunications, covering more than 20 per cent of world trade. Trade in services, including intellectual property, is a new subject for debate in the Uruguay Round of Gatt talks taking place in Geneva.

The EC will call for non-discrimination against foreign providers of services, in line with the US proposals on services presented to Gatt early this month. The EC will also suggest a world standstill on introducing any new barriers to trade in services, said Mr de Clercq.

As a prelude to negotiating for a reduction in existing barriers, the EC will suggest that Gatt compiles an inventory next year of national restrictions to free trade, on services. These would be examined by a working group, which would pick out individual examples for negotiation in Gatt.

Australia to cut pulp and paper tariffs

BY CHRIS SHERWELL IN SYDNEY

THE PROTECTION given to Australia's pulp and paper industry is to be reduced. The Government is to cut tariffs, in a move to create a more efficient and competitive industry.

The action is part of a wider strategy to improve the performance of Australian manufacturing industries, especially those which add value to the country's vast natural resources.

An announcement by Senator John Button, Minister of Industry, Technology and Commerce, said tariffs on various types of paper were being reduced to a maximum of 15 per cent over two years.

Hitherto, tariff rates have ranged up to 30 per cent, with the main rates at the 20-25 per cent level, although some are zero to 10 per cent.

Coated paper used in high quality magazines will be given concessional entry to encourage publishers to print magazines locally rather than abroad while the tariff on complete paper machines has been slashed from 15 to 2 per cent in a bid to boost investment in paper making equipment.

The idea is to promote higher value-added in timber-based industries. The government would like to see a shift away from wood-chip production, the merits of which environmentalists have questioned, to the higher value-added area of pulp and paper production.

"We have identified A$3bn of potential investment in this area," Senator Button said. "Those investments and the money they earn in export revenue can have a signficant impact - as much as A$1bn a year - on Australia's balance of payments."

The government's move follows a report from the Industries Assistance Commission recommending lower tariffs and bounties.

Some of its recommendations were rejected: it has not reintroduced a bounty on certain types of paper, for example, because the measure had not increased production levels.

But a bounty on books is being reduced from 20 per cent to 13.5 per cent over four years, and the period of the bounty is being extended until at least the end of 1993.

West Germans win Yaounde airport deal

A GROUP of West German companies led by Dyckerhoff and Widmann has been awarded a contract to build an international airport at Yaounde in the Central African country of Cameroun, **agencies report.**

The project will cost $267m and will be financed by a consortium of West German and US banks.

The contract was announced after Chancellor Helmut Kohl's three-day visit to Cameroun last week.

International flights now use an airport in Douala, Cameroun's economic capital, some 200 miles from Yaounde.

In another deal, Krupp Industrietechnik of West Germany has won a DM25m order to build five edible-oil processing plants in Hungary.

The Budapest export company Komplex placed the order with the Krupp subsidiary.

The processing units, scheduled to go into operation from 1988 to 1990, will press sunflower and rape seeds used in edible oils, margarines and livestock feeds.

Canadian bank to offer export credit insurance

BY DAVID OWEN IN TORONTO

THE FOURTH largest Canadian bank, Toronto-Dominion, has become the country's first such institution to enter the export credit insurance business, which is dominated by the state-owned Export Development Corporation.

The bank has joined forces with a US-based credit insurance group, American Credit Indemnity, to offer a credit insurance scheme aimed at medium-sized Canadian companies exporting to the US.

It will offer continuous coverage against buyer insolvency for periods of six or 12 months. The annual premium will be fixed at 2-4 per cent of a customer's credit limit. Toronto-Dominion's trade services manager, Mr Steven Cullen, said the bank intends to respond to cover applications within 48 hours.

Toronto-Dominion and American Credit Indemnity have worked out a business structure which takes account of rules prohibiting banks from underwriting insurance. Under this the bank itself will be named as the beneficiary in a master policy issued by American Credit Indemnity. In turn it will issue certificates of indemnity to exporters defining their coverage.

While the US, according to Mr Cullen, is "the logical place to start," the bank may eventually offer the service further afield. "We are working with other institutions to see if we can achieve something similar in Europe and the Far East," he said.

Seoul hits at Canada car duty

BY MAGGIE FORD IN SEOUL

THE 36 per cent duty imposed by the Canadian Government on imported cars made by Hyundai of South Korea is too high, Ministry of Trade and Industry officials in Seoul said yesterday.

Imposition of the duty, announced after General Motors' and Ford Motor's Canadian subsidiaries claimed that Hyundai was dumping cars in Canada, will be reviewed by the Canadian import tribunal, whose decision is expected within 90 days.

On Tuesday the Canadian government ordered the Korean group to pay a duty averaging 36 per cent or post a bond covering that amount, pending the tribunal ruling.

Hyundai said it was optimistic that the duty would be reduced because the level had been based on a lack of in-depth screening of documents and understanding of the way cars are marketed in South Korea.

Local selling prices of cars, seen as a luxury item, are high because of taxes which boost the price by more than 100 per cent, not because of high production costs.

Hyundai which expects to export about 90,000 cars in its Pony, Excel and Stellar ranges to Canada this year, is building an assembly plant near Montreal which is due to start production in 1989 with 70,000 a year output.

The Canadian complaint follows a pledge this week by Mr Sakong Il, the South Korean Finance Minister, that Seoul would open its domestic market more widely to imports, diversify its export markets and switch import sources in a move to respond to pressure from the US to revalue its currency.

Mr Sakong told businessmen that further US pressure to revalue the South Korean won was expected as the dollar sank against other currencies. The won has appreciated 8.03 per cent against the dollar so far this year.

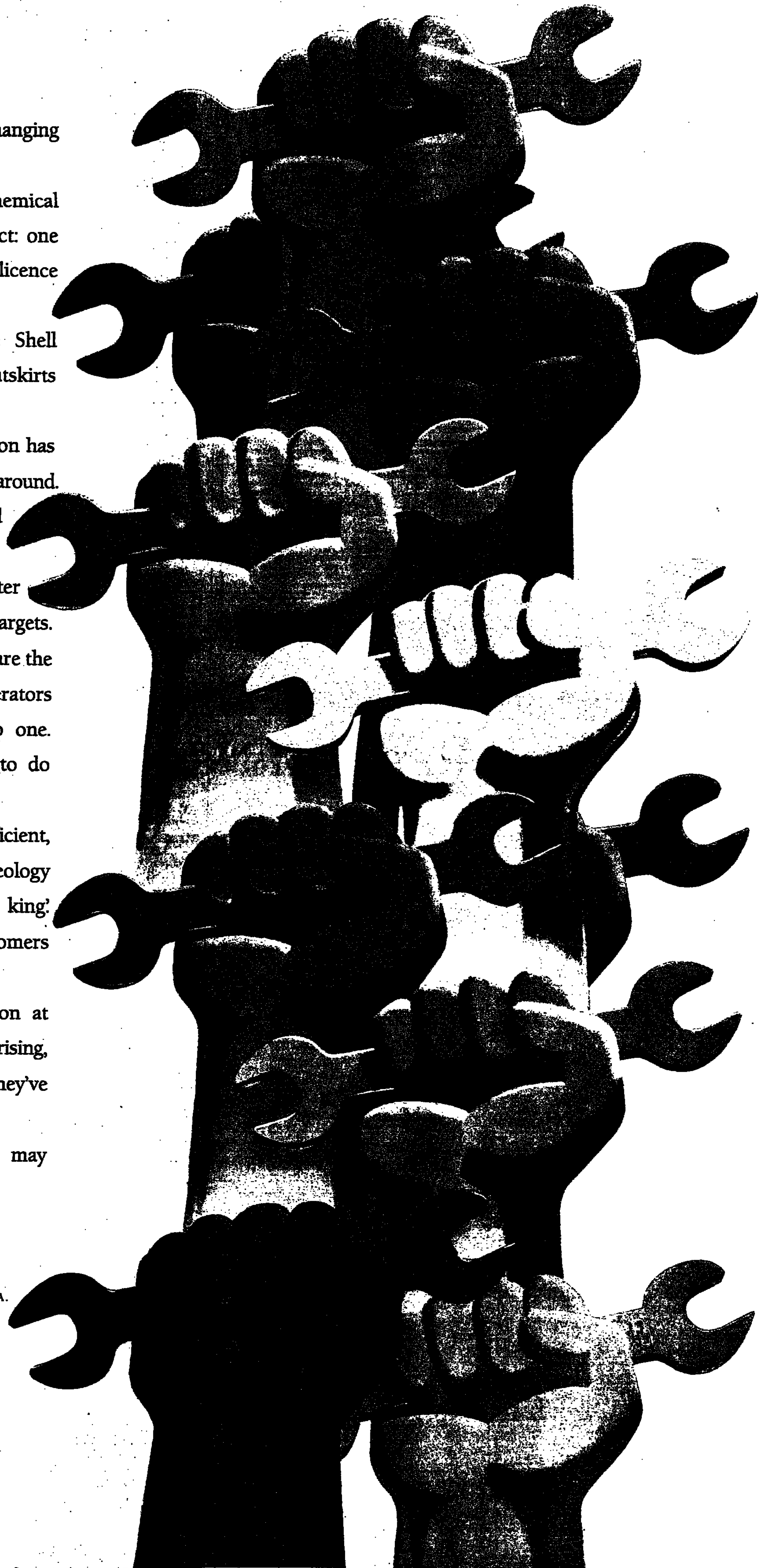
Hilary Barnes reports from Copenhagen: Maersk Lines, the shipping concern of A.P Moller, has placed orders with South Korean manufacturers for 20,000 containers, worth about $75m, the group said. The suppliers have not yet been named.

Maersk recently ordered nine 50,000 deadweight container vessels from the A.P. Moller Odense shipyard. Each will have the capacity to carry 3,700 standard 20 ft containers.

The group already controls about 80,000 containers. Delivery of the new containers over the next two years will bring the number to about 100,000.

After delivery in April of the first of the new container vessels, Maersk plans to return to liner traffic on the North Atlantic between Europe and ports on the US west and east coast. This is a highly competitive business, from which Maersk has been absent for more than 30 years.

REVOLUTION AT THE CHEMICALS FACTORY



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FT LAW REPORTS

Bank has no defence to customers' actions

BHOGAL v PUNJAB NATIONAL BANK; BASNA v PUNJAB NATIONAL BANK
Court of Appeal (Lord Justice Dillon and Lord Justice Bingham): November 24 1987

A BANK cannot set off credit on an account held in one name against an overdraft on an account held in another name on the ground only that it suspects both accounts are held by nominees for the one beneficiary.

The Court of Appeal so held when dismissing appeals by the Punjab National Bank from decisions by Mr Justice Hobhouse and Mr Justice Scott that Mr Ajit Singh Bhogal and Mr Yacoub Basna respectively were entitled to summary judgment against the bank, in that it had no arguable defence to their actions.

LORD JUSTICE DILLON said that Mr Bhogal and Mr Basna were both customers of the bank's London branch.

Mr Bhogal was a civil engineer in Kenya. He was introduced to the bank by a Mr Joginder Sanger, proprietor of a travel agency called Hindustan Travel Services.

The money in Mr Bhogal's account was placed on time deposit. Acknowledgment certificates contained unqualified promises by the bank to repay at maturity.

Discussions about the rolling over of deposits on the account appeared to have been between the bank and Mr Sanger in London, not Mr Bhogal in Kenya. Statements were sent to and checked by Mr Sanger, but there was no indication of withdrawal from the account except by cheque signed by Mr Bhogal.

By summer 1986 the bank decided it was entitled to treat the Bhogal, Basna and other accounts, including one in the name of a Mr Kumar, as part of a group - the Sanger group of accounts - and to refuse to honour any cheques which would put the overall balance of the group in debit. Mr Kumar's account was overdrawn by a substantial amount.

On June 24 1986, when Mr Bhogal's time deposit matured, he drew a cheque for £825,000. The bank dishonoured it on presentation, on the pretext that there was discrepancy between the signature on the cheque and Mr Bhogal's authorised signature.

That was a false pretext to gain time. It was only later that the bank came up with the present claim that Mr Bhogal was a mere nominee for Mr Sanger.

Mr Basna was a travel agent in Beirut. He opened an external account in his trading name, Basna Air Services, at the bank's London branch in 1983. The dealings on the account included payment in of substantial sums by Hindustan Travel Services, Mr Sanger's agency.

There did not appear to have been any withdrawal from the account without Mr Basna's written authority, but there was evidence to suggest that he signed forms of authority in blank when he visited London, and left them with Hindustan Travel for completion.

In December 1986 the bank dishonoured a cheque drawn by Mr Basna, though there were funds in the account to cover it.

In two separate actions against the bank Mr Bhogal obtained summary judgment for £1.5m, and Mr Basna obtained summary judgment for £716,486.

The bank submitted that the judgments should be set aside because it had a valid defence. It said the accounts were nominee accounts for Mr Sanger, and it was entitled by way of equitable set-off to set the credits in the Bhogal and Basna accounts against the debit on the Kumar account.

The bank's case was not documented in the manner which ordinary banking practice would require. It could not point to any standard form security documentation linking the Bhogal and Basna accounts with that of Mr Kumar. Over the crucial years the London branch was under the control of a succession of managers who were unreliable and had left the bank under a cloud.

In Mr Bhogal's case Mr Justice Hobhouse rejected the bank's claim, as not amounting to an arguable defence on the facts. In Mr Basna's case Mr Justice Scott rejected the bank's claim, on the law. He held that a bank could not refuse to repay deposited money on the basis merely of an arguable case that some other debtor of the bank had an equitable interest in it.

The doctrine of equitable set-off had developed from the practice of equity courts of granting an injunction to restrain a plaintiff from pursuing his claim at law, pending resolution of a cross-claim in equity.

In *Aries Tanker [1977] 1 WLR 185* Lord Wilberforce said that for equitable set-off to apply "there must be some equity, some ground for equitable intervention other than the mere existence of a cross-claim."

In the banking field there were clear rules of law: (1) it was the duty of the banker to pay within reasonable time of presentment all cheques drawn by the customer in accordance with his mandate, provided the bank had his money in its hands; (2) sums paid by a customer into his current account could not be used to discharge his loan account without his consent.

The bank sought to found its claims of equitable set-off on the Court of Appeal decision in *Morier 12 Ch D 491*, which cornered equitable set-off of bank accounts in the context of the bank's insolvency.

In that case there were two accounts. Lord Justice James said there could not be an equitable set-off because the money was due in *autre droit* [in right of another]. He said "where the money is due in *autre droit* the only exception which equity has introduced into the principle of a legal set-off is when the money is really and truly the property of one man in the name of another."

He approved Lord Justice Brett's statement at page 502 that equitable set-off could not apply unless one account-holder was so solely beneficially interested that a court of equity "without any terms of further enquiry" would have obliged the other to transfer the account into his name alone.

It was one thing when a customer clearly and indisputably held his accounts as nominee or trustee. It was quite another when the alleged nomineeship was not plainly made out and was strongly disputed.

It would be wholly contrary to banking law rules if a bank could, without warning, dishonour a customer's cheque on a tenuous, if just arguable, suspicion that the account was held as nominee.

There was no equity in the bank in such a case to override the clear rules of law on which bankers and customers habitually dealt with each other - especially in the present case, where the bank had only itself to thank for not following ordinary banking practice and obtaining standard form security documentation.

If the bank were to be granted leave to defend and the actions were to go to trial, the inquiries involved would be extensive.

In Mr Bhogal's case they would involve investigating the source of all moneys paid into the account, in case it could be demonstrated that by some route not yet divined Mr Sanger was the source.

In Mr Basna's case, there would have to be a similar enquiry into the source of all moneys paid into the Basna Air Services account, and that would involve an investigation of all Mr Basna's dealings with Mr Sanger and Hindustan Travel.

The case was way outside the concept of equitable set-off as explained by Lord Justice Brett in *Morier* and Lord Wilberforce in *Aries Tanker*. Even if the bank could show that Mr Basna's account was mixed, fed in part by him and in part by Mr Sanger, there could be no equitable set-off in view of Mr Basna's entitlement.

The bank had failed to show an arguable defence on the law in either action. In Mr Bhogal's case there was no evidence to support the contention that he was bare nominee, and an arguable case was not made out on the facts.

LORD JUSTICE BINGHAM agreeing, said that to allow a bank to raise a defence of equitable set-off would subvert the ordinary straightforward relationship between bank and nominal customer, and could cause grave embarrassment to third parties who had relied on his apparent credit.

Commercial considerations would require any court to reject a defence of equitable set-off in this field, unless the defence were clearly brought within the scope of the existing authorities. There was a very live dispute as to the alleged beneficiary's sole entitlement, and a need for very searching enquiry.

The appeals were dismissed.

For the bank: Stanley Burnton QC and Rhodri Davies (Coward Chance)
For Mr Bhogal: Mark Hapgood (Lovell White & King)
For Mr Basna: Peter Leaver QC and Alastair MacGregor (Stilgoes)

By Rachel Davies
Barrister

Power industry proposal for Fawley coal terminal

BY MAURICE SAMUELSON

THE Central Electricity Generating Board is planning to build a coal terminal at Fawley, near Southampton on the south coast, capable of importing up to 8m tonnes a year.

Among the board's aims, it has told local planning authorities, is to ensure security of supply in the event of serious interruptions as happened during the 1984-85 coal miners' strike.

In addition, it said, the facility "should encourage British coal and other coal suppliers to keep their costs down so as to compete with foreign imports".

CEGB coal imports have been limited to about 1m tonnes a year under the "joint understanding" with British Coal, which supplies about 75m tonnes a year.

An increasing proportion of the British coal is sold at world prices, but the CEGB still claims that British Coal's bill is £750m a year too high on international comparisons.

Coal from countries such as Australia and Colombia can be bought on the spot market at about half British Coal's average price of £42 a tonne.

Mr Cecil Parkinson, Energy Secretary, has made clear, as he reiterated yesterday, that there is "no question of a privatised electricity supply industry being put under any obligation to buy from British Coal."

If British Coal were to lose 8m tonnes of its existing business, about eight pits could be threatened with closure and the loss of some 8,000 jobs.

But the threat is being played down by British Coal, which says that imports could be absorbed by the expected growth in demand from power stations in the 1990s.

The port, including new rail facilities, would be adjacent to a planned a new 1,800 Megawatt coal-fired power station near the CEGB's existing oil-fired plant at Fawley.

Some 5m tonnes of the imported coal would be unloaded directly into the power station but the new rail link would be able to carry 2m to 3m tonnes more to inland stations such as the 2,000 MW plant at Didcot, Oxfordshire.

British Coal officials say British Coal's improving efficiency would enable it to supply competitively the new Fawley plant as well as all the CEGB's inland power stations.

Fawley would be supplied by sea from the north east coalfield and by rail from Midland pits manned by the Union of Democratic Mineworkers.

"We bet that the coal trains will run southward to Fawley and, not in the opposite direction," British Coal said.

Mr Parkinson also cast doubts on the extent to which imports would penetrate the UK coal market.

Speaking at a conference on electricity privatisation yesterday morning before the CEGB's plans had been published, he said port handling facilities were limited and if British Coal's efficiency continued improving at its present rate it "should continue to be a prime supplier to the electricity supply industry."

Scargill faces election challenge from right wing

BY CHARLES LEADBEATER, LABOUR STAFF

MR JOHN WALSH, the north Yorkshire miners' full-time official announced yesterday that he would stand against Mr Arthur Scargill in the election for the National Union of Mineworkers' presidency to be held in January.

The announcement brings to an end speculation that Mr Scargill might not face an opponent in the election he triggered by handing in his notice two weeks ago.

Mr Walsh, who is identified with the union's right wing, emerged as the only potential challenger during the last 10 days as other possible candidates ruled themselves out of the running.

Mr Walsh said he had decided to stand after receiving the nomination of the small Leicestershire coalfield in the midlands, as well as assurances of support from other areas. He said his message to miners would be that it was a time for a change because the union needed to negotiate with British Coal rather than confront it.

Mr Scargill said the announcement presented miners with a clear choice. He predicted Mr Walsh would be backed by the British establishment, including all the forces which had tried to destroy the union.

Opponents of Mr Scargill hope Mr Walsh's declaration will provide a focus for miners who are disenchanted with Mr Scargill's confrontational style of leadership as union branches make nominations in the run-up to the closing date on December 14.

Mr Walsh's chances depend on whether right- and left-wing opponents of Mr Scargill can unite behind his candidature, and on the scale of his support in the key Yorkshire coalfield in the north east, which accounts for a third of the votes.

It is likely Mr Walsh will win nominations from Cosa, the union's white collar section, the Midland's craftsmen's section and possibly the north-western area of the union.

It seems his announcement was also prompted by the decision earlier this week of the leaders of the traditionally left-wing Scottish coalfield not to recommend nomination of Mr Scargill. This was taken by many as a clear signal that Mr Walsh would win support in the area.

While Mr Walsh appears unlikely to win the official nomination of either Scotland, or South Wales, another traditionally left-wing area, leaders there may individually support his candidature.

In the key Yorkshire coalfield, however, Mr Walsh has won only one branch nomination from his north Yorkshire base.

Leaders of the South Wales miners yesterday met legal advisers in London to consider challenging the NUM's national executive committee decision to call the election.

New pay plan for council employees

By David Brindle, Labour Correspondent

LOCAL AUTHORITIES could take far greater control of their workers' pay and conditions, according to proposals published today which would weaken nationwide agreements covering 2m council employees.

The consultative proposals have been put forward by the Local Authorities Conditions of Service Advisory Board (Lacsab), the employers' secretariat. The board says the existing national negotiating system was "designed for another age".

The proposals, which will go to local authorities for comment, follow ministers' criticism of the rigidities of national bargaining in general, and of the system in local government in particular.

They also follow threats by some Conservative authorities to pull out of the national negotiating framework in protest at the recent 10.6 per cent pay deal for council manual workers.

Lacsab's consultative document says it is not realistic to contemplate abolition of the national structure of 20 separate bargaining groups. But it accepts a case for more local discretion within less prescriptive national agreements.

This may be achieved, it says, by the agreements being made less detailed, by component clauses being identified as mandatory, discretionary or advisory, or by setting only low basic national rates to be topped up locally.

In anticipation of this, Lacsab agrees that its own role, and that of the national local authority associations, is likely to become more advisory in nature.

The board also suggests the need for a more coherent employers' strategyto be developed across the different bargaining groups. It admits the quality of consultations between local authorities and their national negotiators is often poor.

Football League rules Maxwell pass at Watford offside

BY RAYMOND SNODDY

MR ROBERT MAXWELL, chairman of Derby County football club, unleashed a fierce tackle on the Football League last night after the adminstrators of the game unexpectedly blew the whistle on his £2m plan to take over Watford football club.

Mr Maxwell, using language that would get any footballer instantly sent off the field, attacked "the mismanagement committee" for its decision and said the professional game was dominated by "incompetent, selfish, bungling amateurs" who should be kicked out.

The League had said they did not think it "desirable for any individual or organisation, either directly or through nominees, to be in a position, or appear to be in a position, to influence the management or administration of more than one club."

The Watford deal would have given Mr Maxwell, who also owns three national newspapers, a link with three first division football clubs.

Apart from his chairmanship of Derby, Mr Maxwell's son, Kevin, is in charge at Oxford; if the Watford deal went through, Mr John Holloran, chief executive of Mr Maxwell's British Printing and Communication Corporation, would take over from pop star Elton John as chairman.

The Football League was afraid that its rules would not prevent Mr Maxwell from buying the shares of a club such as Watford and transferring them to someone else, over whom he could claim he had no influence.

The League however came up with a very neat bodyswerve yesterday. Not only did it tell Mr Maxwell that "the Management Committee does not support the transaction."

Mr Philip Carter, the League president, went on to suggest that Mr Maxwell should now carry out his threat to pull out of the deal if he did not receive the Management Committee's support.

Mr Maxwell said he would carefully study the League's verdict after considering the reactions of Elton John, the board of Watford Football Club and its manager, David Bassett.

The issue will also be reviewed today at a board meeting of BPCC, one of the largest employers in Watford.

Before giving the matter cool thought, Mr Maxwell added for good measure: "Mr Carter's real motivation is that he is scared that his and his friends' cosy little cartel, which has been lording it over our national game with such damaging consequences, could come to an end."

NatWest pioneers performance bonus

BY JOHN GAPPER, LABOUR STAFF

NATIONAL Westminster Bank, one of the UK's four clearing banks, is planning to introduce a comprehensive performance-related pay structure for its 5,700 managers which it believes would be the first of its kind in a major clearing bank.

It proposes three performance bands within each managerial pay scale and the structure is also intended to include a performance-related bonus.

The proposal is one of the first indications that banks intend to use last summer's break-up of the Federation of London Clearing Bank Employers to introduce differing pay structures.

It was made to banking unions in negotiations over a pay settlement due on January 1. The bank has offered a basic 5 per cent increase to both clerical and appointed staff and managers.

The bank has also offered to consolidate an annual bonus of 2½ per cent into the salaries of grades below management.

Mr Bob Carthy, general secretary of the NatWest Staff Association, said he was dissatisfied with the pay offer, which follows industrial action throughout the summer over a 5 per cent pay offer imposed last May.

Representatives of the NWSA and the Banking, Insurance and Finance Union are to meet bank negotiators again on Monday.

Restart counselling fails to place jobless in work

BY CHARLES LEADBEATER

THE RESTART counselling programme for those unemployed for more than six months has largely failed to find people jobs, according to Manpower Services Commission figures. The statistics show that just 4,288 people, or 0.5 per cent of the 840,578 interviewees, have found employment.

The detailed breakdown of the results of the interview programme, in which unemployed people are counselled on employment or training opportunities, was presented to the MSC's 10-strong commission last month.

People unemployed for more than six months have been asked to attend Restart interviews since April this year. Before that the programme dealt only with those unemployed for more than a year.

The disclosure of the figures yesterday by the Unemployment Unit, the unemployment research group, provoked Mr Michael Meacher, shadow Employment Secretary, to accuse employment ministers of misleading parliament over the programme's performance.

Mr Norman Fowler, Employment Secretary, replying on November 9 to a written question from Mr Meacher, said: "We do not know how many of those selected for interview are ultimately placed in a job or in a training scheme."

However an MSC report detailing the effectiveness of the Restart programme shows that by August 1987 Jobcentres had contacted 1.174m people and interviewed 840,578. Of those, 741,783 (88 per cent) were made some kind of offer of training or employment, and 592,072 (70 per cent of those interviewed) agreed to follow up the offer.

About 75,000 people were put forward for a job interview, but only 4,288 (0.5 per cent of those interviewed) found employment.

Mr Fowler told the Commons earlier this month that about nine in 10 people received an offer that might lead to employment.

The report shows, however, that only 11.4 per cent of 660,000 offers made were followed up.

About 62,000 people were submitted to the Community Programme for the long-term unemployed but only 10,355 started; 37,510 were allocated to a short Restart training course but only 19,395 started; 89,157 were referred to the new Job Training Scheme but only 18,999 started; and of the 55,902 submitted to other training programmes only 4,207 began a course.

About 80,000 people were referred to a job club but only 18,690 joined one.

Jobcentre move 'likely to cut staffing'

BY CHARLES LEADBEATER

THE MERGER of Jobcentres and unemployment benefit offices to form a single Employment Service will lead to staff cuts of about 15 per cent and tighter controls on benefit claimants, the Society of Civil and Public Servants said yesterday.

In a letter to Sir Michael Quinlan, Permanent Secretary at the Department of Employment, the SCPS said the situation in the department was becoming serious. It said there was evidence that the department planned to cut the 40,000 staff by 15 per cent.

The merged service is to be established over the next couple of years following the transfer last month of Jobcentres from the Manpower Services Commission to the Department of Employment, which controls unemployment benefit offices.

Sir Michael, in a letter to the union yesterday afternoon, said there were no plans to cut staff by 15 per cent. He accused the union of using untruths and loaded language in arguing that there would be stricter policing of benefit payments.

Half health authorities 'running a deficit'

By Michael Dixon

HALF the 200 district health authorities in England and Wales are running financial deficits even although they are legally obliged to balance their books, according to a survey report published by the Labour Party

Of 164 district authorities that replied to inquiries by Mr Robin Cook, Labour's health and social security spokesman, 101 reported overspending during the first part of their financial year in spite of efforts by most to cut their spending.

While the other 63 were at least breaking even, six said they were having to keep jobs vacant and spend reserves or capital to keep within budget. Only East Surrey, Islington, and Portsmouth and South-east Hampshire expected to end the year with funds in hand.

The average deficit among the overspending districts was about £690,000. Individual amounts ranged from £50,000 in Redbridge to £3m in the London district of Paddington and North Kensington.

West Lambeth was overspending by £2.5m, Wandsworth by £2.5m, Sheffield £2.2m, Oxfordshire £1.8m, Newcastle upon Tyne £1.65m, Shropshire £1.52m, and Mid-Glamorgan, Hounslow and Spelthorne, Leicestershire, and Central Nottinghamshire all £1.5m.

King questions Irish extradition method

BY OUR BELFAST AND DUBLIN CORRESPONDENTS

MR TOM KING, the Northern Ireland Secretary, yesterday questioned the Dublin Government's decision to involve the Irish Attorney-General in new extradition procedures between the Republic of Ireland and the UK.

His remarks are the clearest sign yet of growing British Government annoyance at recent developments in the republic over extradition. They coincided with further confusion over the application for the extradition of Mr Paul Kane, who has been wanted in Northern Ireland since he escaped from the Maze prison near Belfast in 1983. Mr Kane was again released yesterday and then again detained.

Mr King said he welcomed the Irish Government's decision to ratify the European convention on the suppression of terrorism. However his comments on the Irish Attorney-General's involvement are an obvious sign of the British Government's impatience with recent developments.

The Northern Ireland Secretary said that no application was ever made to a judicial authority for a warrant unless there was a firm intention to prosecute based on evidence. "We are, therefore, surprised that a need is perceived for any further procedural step."

He added: "We regret that, notwithstanding our representations, it is proposed to give a role to the Irish Attorney-General, whereby he must satisfy himself as to the intention to prosecute the fugitive and as to the sufficiency of the evidence."

It was essential, Mr King said, "that we maintain effective extradition arrangements so that there is no hiding place for terrorists."

Irish police were yesterday still considering a warrant for Mr Kane's extradition which had been sent to them by the Royal Ulster Constabulary. Mr Kane had been arrested by the Garda on Monday but released after 48 hours because extradition papers had not been received.

He was then detained after a car chase. However, yesterday he was again released on bail, on charges including assaulting a policeman. He was then immediately detained on what was described as a provisional warrant as he left the courtroom, in County Cavan near the Irish border.

The Irish parliament is due to start debating changes in its extradition procedures today. Mr Charles Haughey, the republic's Prime Minister, was forced to introduce amendments after some of his Fianna Fail backbenchers threatened to oppose the extradition bill as originally drafted.

The embarrassment surrounding the case of Mr Kane will lend added point to the Dail debate, which is expected to end late next week with the parliament endorsing the changes proposed by Mr Haughey's Government.

This endorsement will come despite parliamentary opposition from the Labour Party and reservations already expressed by other opposition parties. In the interim, the European Convention for the Suppression of Terrorism will pass into law in Ireland on Tuesday.

Bristol and Avon light railway planned for 1991

BY ANTHONY MORETON

A £130m light railway scheme for Bristol and the outlying areas of Avon was unveiled yesterday by Advanced Transport for Avon.

Mr Richard Cottrell, the company's chairman and Bristol's Euro-MP, said it was hoped the £38m first phase from Portishead, beyond the dock area of Portbury, into the city centre would be operational by 1991. The whole scheme will cover some 90 miles.

A bill to sanction the project is to be introduced in parliament today and it is hoped to have royal assent by July. Construction could then begin around spring 1989.

Subsequent phases, in which it is planned to extend the system to Yate, north of the M4 motorway, will depend on further parliamentary bills. At an early stage ATA would also like to push out to Filton, next to the British Aerospace factory, and to nearby Cribbs Causeway out-of-town shopping centre.

Mr Cottrell added that ATA would also like to extend the railway into the densely-populated south Bristol area as soon as possible.

The Bristol development is the second out-of-London scheme to be proposed, following Sheffield. Birmingham and Greater Manchester are also undertaking preparatory work on light railway systems. Mr Cottrell forecast a dozen or more by the turn of the century.

This would still leave the UK a long way behind many European countries, where the tram is a commonly accepted means of urban transport. West Germany has them in some 50 towns and cities.

Although preliminary talks have been held at official level, ATA still has to convince both the Bristol and Avon authorities of the desirability of a light railway.

Mr Cottrell said that unless the railway was introduced, the city and county, as well as nearby Bath, would be "garrotted by the increase in traffic on the roads."

Financial advice is being given by Schroeders and ATA hopes to raise much of the finance by capitalising on part of the enhanced property value along the route. It still has an open mind on whether to raise equity capital, according to Mr Peter Ferguson, finance director.

Companies optimistic on outlook for recruitment

BY MICHAEL SKAPINKER

THE PROPORTION of British companies which say they expect to increase their staffing levels over the next 12 months is at its highest level for five years, according to an annual survey published today by the Institute of Directors and the Reward Group.

The survey found that 53 per cent of the more than 1,500 companies questioned said they intended to increase their factory staff over the next year. This compares with 43 per cent which expressed such an intention last year.

Forty-one per cent of the companies questioned said they would increase their management staff over the next year, compared with 34 per cent in 1986. Fifty-seven per cent said they would increase their sales staff, compared with 50 per cent in 1986. Forty-two per cent said they would increase their office staff, compared with 33 per cent in 1986.

The companies covered in the survey had turnovers ranging from less than £1m to more than £500m.

The survey also reported a slowing in the rate of increase of directors' pay over the past year. The rise, however, was still above the 7.8 per cent average increase in earnings nationally.

Managing directors' pay increased by 8.5 per cent over the past year, compared with 12.1 per cent in 1985-86. Pay for executive directors increased by 10.9 per cent, compared with 11.1 per cent in 1985-86.

Reward and the IoD say the difference is explained by the greater increase in the level of bonus payments to executive directors.

A typical British managing director is likely to earn £37,000 and to run a company with 80 employees and a turnover of £5.5m, the survey said. He is likely to be 47 years old and drive a company Jaguar. He will probably have a company health scheme and pension scheme. He is less likely, however, to be part of a share option scheme.

Directors' Rewards 1987-88. Reward Regional Surveys, Reward House, 1 Mill Street, Stone, Staffordshire, ST15 8BA. £130.

Private sector seeks role for inner-city investment

BY IAN HAMILTON FAZEY

BUSINESS IN the Community yesterday announced a new strategy for private sector involvement in the inner cities.

Six target teams, each chaired by a senior business leader, will encourage more job creation, investment and enterprise in urban areas.

The strategy was announced by Sir Hector Laing, chairman of United Buscuits, who succeeded the Prudential's Lord Carr as chairman of BiC at the organisation's annual meeting in Birmingham.

It is the response of BiC - the umbrella organisation for the private sector's involvement in the community - to the Prime Minister's call for more help from business to revitalise the inner cities.

The teams are:

- Priority hiring and training. Mr David Rowland, deputy chairman of Willis Faber, will chair the team, which will promote action by employers to target recruitment at unemployed young people in inner cities.
- Business and education partnerships. Mr Martin Findlay, deputy chairman of Whitbread, will lead a team encouraging more school-based partnerships with employers aimed at improving educational performance and job opportunities.
- Investment for enterprise. Chaired by Sir David Scholey, chief executive of S.G. Warburg, this will promote private sector initiatives in special loans and funding mechanisms for small and new businesses.
- Enterprise development. The chairman will be Mr Kent Price, chief executive of the Chloride Group. Its job will be to help businesses to start up and grow through what have been BiC's main tool to date, local enterprise agencies.
- Enterprise and the built environment. The target area here will be more business involvement in property developments, housing, workshops, and management of the built environment. Chairman will be Mr Brian Corby, chief executive of the Prudential Corporation.
- Local purchasing. This chair is still vacant but the aim will be to get more big companies to assist small businesses in their areas through local purchasing and contracts.

Sir Hector said the teams would work closely with chambers of commerce, the CBI - which has promised full support - central and local government and community groups.

Prince Charles, BiC's president, called for more ideas from industry and commerce on how to revive old urban areas.

He gave full backing to the new strategy, singling out jobs as a key issue.

Soviet checks on US bases 'controllable'

BY DAVID BUCHAN, DEFENCE CORRESPONDENT

BRITAIN IS satisfied it can prevent Soviet inspectors prying into military matters unrelated to the removal of US cruise weapons, when the inspectors visit the UK to verify the terms of the forthcoming US-Soviet missile treaty.

UK defence officials said yesterday that British authorities will be able to control the routes by which Soviet inspectors arrive at the only two bases in the UK open for inspection, and will have the right to examine any Soviet equipment.

Procedures whereby Soviet inspectors will inspect the West European bases which hold, or were planned to hold, US cruise and Pershing missiles, will be set out in a special protocol to the intermediate-range nuclear forces (INF) treaty.

The countries with bases (the UK, West Germany, Italy, Belgium and the Netherlands) will exchange notes with the Soviet Union soon after the treaty is signed on December 8.

The two bases in Britain are Greenham Common, Berkshire, which has a fully-operational complement of 96 cruise missiles, and Molesworth, Cambridgeshire, which was due to get its first flight of 16 cruise missiles by the end of this year and a further 48 next year.

Nato this week announced a freeze on further missile deployment after the December 8 treaty signing. Molesworth already has some cruise launch vehicles and missiles, but no warheads and is now unlikely to receive any.

However, UK defence officials yesterday cautioned that if the Soviet Union continued medium-range missile deployment, after December 8, but before the treaty came into full effect with US Senate ratification, Nato might reluctantly have to reconsider its deployment freeze.

The two British bases will be subject to three kinds of inspection:

- a "baseline" inspection to be made within 30-90 days of the start of the three-year missile elimination period. This would enable the Russians to check whether the Americans really had at the bases what they said they had in the treaty.
- a "close-out" inspection at the end of the elimination period, for the Russians to check the bases were clear of all missiles.
- "short notice" inspections which the Russians could make with decreasing frequency during the three-year missile removal phase and over the following 10 years. Worldwide, the Soviet Union, like the US, will be able to make 20 inspections a year for the first three years, 15 a year for the subsequent five years and 10 a year for the last five years. No more than half of all these inspections can be made in one country, so the UK would have a maximum of 30 inspections.

These inspections may be at as little as "one or two hours" notice, UK officials believe. The Soviets' flight plan will be set by the UK and will lead to Greenham Common.

Fraud inquiry launched

BY RICHARD WATERS

THE CITY of London Police fraud squad is investigating allegations of fraud at Eastern Capital Futures, which is under the control of court-appointed administrators.

ECF, part of Eastern Capital Group, has about 600 creditors. A fellow subsidiary, Eastern Capital Securities, which is not under investigation by the fraud squad, is thought to have about the same number.

Two administrators from accountants Peat Marwick McLintock were appointed to the group on November 11 following an application from the company. The appointment became necessary when all but one of the directors resigned.

Neither the police nor the administrators would comment on the circumstances surrounding the case.

A formal statement of the affairs of the group will be prepared within three months, said Mr Bill Ratford, one of the administrators.

The group has shareholders in common with Eastern Capital Inc, a US company which is also believed to have ceased trading but which is not involved in formal insolvency procedures.

Racing to unearth the Roman black rat

By Ralph Atkins

DEEP BELOW the bustling, soaring offices of the City of London, teams of archaeologists are urgently sifting through the remains of early Roman Londinium.

The Docklands Light Railway Archaeology Project, launched yesterday, is a unique chance to explore the habits and habitat of past generations.

The opportunity is provided by the extension of the railway from its terminus near the Tower of London to Bank in the heart of the City.

Docklands Light Railway contractors are allowing teams of archaeologists from the Museum of London up to three months at each of six sites to rescue relics.

A tight construction timetable - the first trains are due to run through the tunnels in 1990 - means centuries of history have to be dug up in a matter of weeks.

Shafts dug by the contractors will reach 40 metres below street level - uncovering remains deposited in first-century Roman Britain.

The preliminary investigations are to be financed from £600,000 provided by Olympia & York, developers of Canary Wharf in Docklands.

Archaeologists are particularly delighted to be able to dig continuously from street level, discovering the remains of different epochs at each stage.

A test bore at Fish Street Hill, near Monument, has already revealed an extraordinary collection of pottery jugs, beakers and storage containers - probably belonging to households of ancient City workers.

Nearby a 7-metre-deep well, which was lined with timber and was perhaps used as a cesspit, has proved rich in animal and plant remains - including probably the oldest example of a Roman black rat.

Stones and pips from cherries, plums, apples and grapes have all been uncovered, together with bones from fish, pigs, lambs and chickens. Seeds from herbs plus lentils, bran and hazelnuts are other finds.

Lucy Kellaway on the issues facing a monopolies inquiry

Do British Gas prices add up?

WHEN A newly-privatised company is said to be charging its customers half as much again as the going rate in Europe, when different customers pay different amounts and are not told how others are being treated, and when the price system is so opaque that companies cannot estimate future costs, there would appear to be room for complaint.

Sir Gordon Borrie evidently took that view when he decided this week to refer such grievances about British Gas's industrial pricing policy to the Monopolies and Mergers Commission. During the next nine months the commission will hold British Gas's elaborate pricing system up to the light to see whether a monopoly exists in the industrial market, and if so, whether it is against the public interest.

Its task is not an enviable one. A decision in favour of radical change in gas pricing would be a heavy blow for the Government's privatisation policy, as it would mean tumultuous upheaval for the company's shareholders and the whole gas industry less than two years after it was privatised.

If, however, the MMC decides that the present system is satisfactory, critics of privatisation will be further incensed, and talk about loosely-regulated private monopolies will be encouraged.

The issue is particularly complex because there is neither a clear monopoly nor free competition in the industrial market. "Interruptible" customers - which can burn either gas or oil - switch from one to another depending on which is cheapest, while other customers have flexibility only in the long run, if they choose to invest in dual-fired capacity. A sign of competitive pressure was apparent last year when British Gas lost 20 per cent of its industrial load as a result of falling oil prices.

In theory, further competition should be provided by other gas producers who can sell direct to end customers using British Gas pipelines, but in practice producers have declined the opportunity.

When the Government drew up the plans for the privatisation of British Gas it drew a thick line between the domestic market - where a fixed formula was established - and the industrial market, where British Gas was allowed to continue a system that had been in operation for more than a decade.

Two changes were made to the established arrangement under which contracts were negotiated individually with customers. First, British Gas was required to publish a maximum price, and second, the Office of Fair Trading was given power to make monopoly references if it saw fit.

Little did the Government think that the safety net would be pulled out so soon. Two years ago, industrial users appeared more or less satisfied with the arrangements. However, a fall in oil prices has left them at a strong disadvantage to their European competitors, as gas prices in mainland Europe have fallen much more sharply than in the UK.

But to blame British Gas may be to miss the point. The gas markets in Europe and in the UK are quite different. European gas purchase prices are tied closely to oil prices, whereas in the UK the link has always been more tenuous.

Sir Gordon Borrie: referred grievances to MMC

While the European comparison is not among the four issues to be investigated, the MMC is to look into the related question of why there is no link between gas prices and alternative fuels, on one hand, and British Gas's costs on the other.

British Gas will presumably argue that as there is no fixed relationship between oil and gas prices in the North Sea there is no reason why there should be one at the other end of the pipeline, and in any case the two prices are related by competition in the end market. Moreover, if such a link were established, industry might not like it. According to Mr Stephen Clapham of Hoare Govett, the industry has done well out of the present system for the last 15 years, and its complaints smack of opportunism.

As for linking prices to costs, this raises the fundamental question about a monopoly. Only if one is found to exist would such a link be justifiable.

A less fundamental complaint concerns the wide range of prices paid by different gas customers. Although it seems reasonable that British Gas should adjust its prices according to size and location, to permit it to keep such differences secret appears to give it an unfair negotiating advantage.

As the present position is not created by British Gas alone, however, but is common across energy markets, to force it to publish all prices would be to penalise it against rival suppliers of oil and coal.

A third complaint is that the three-month contract period is too short. However, the timespan was reduced as a result of turmoil in energy markets and, furthermore, it seems odd for customers to argue simultaneously for stronger links with oil prices and for longer contract periods.

The MMC may find it easier to come up with a sound proposal when it investigates British Gas's unwillingness to quote prices for interruptible supplies until the customer has invested in the dual-fired equipment. While it cannot be expected to hold firm contract prices until the capacity is in place, it could surely quote indicative prices so that a decision could be made.

Royal Ordnance sold for 'under net asset value'

BY LYNTON McLAIN

THE PROCEEDS of the sale of Royal Ordnance to British Aerospace were "significantly less than the net asset value of RO," the National Audit Office said yesterday.

Sir Gordon Downey, comptroller and auditor general, said there was no satisfactory measure of whether the price of £190m was an equitable return for the taxpayer.

The sale figure was £37m less than the net asset value of RO of £227m on a depreciated historic cost basis at December 31, 1986.

RO, the UK's principal manufacturer of land-based weapons, hand weapons and munitions, had a turnover of £515m last year, of which the MoD purchased about 80 per cent.

The last figure for RO's net asset value, £227m, took account of the MoD's decision not to accept from RO dividends projected at £22m.

RO's net assets, as sold to BAe, contained the £15.4m proceeds, including interest, from the sale of the tank factory at Leeds to Vickers. Accounts for 1986 record a loss of £5m on that sale.

"After allowing for direct sale expenses and other costs associated with the privatisation of RO, the proceeds were significantly less than the public investment in the company," Sir Gordon said in a report.

Southern house prices 'reduce job mobility'

BY PHILIP BASSETT

THOUSANDS OF employees are reluctant to move their jobs or are refusing to move, according to a survey of job mobility.

The survey suggests that the resistance - primarily because of regional house price differences - may be costing British businesses more than £500m annually.

The study, carried out for Homequity, the UK arm of a US company that claims to be the world's largest relocation specialist, finds that 65 per cent of companies surveyed said their employees had either rejected or expressed serious concerns about relocating.

Eighty-five per cent said the most frequently cited reason was north-south house price differentials. Other factors include the stress of a move, possible loss of the spouse's earnings, and schooling disruption.

Follow-up research among the companies suggests that the cost of employees refusing to relocate is mainly between £3,000 and £5,000, made up of executive time spent searching for a replacement, recruitment and advertising costs, administration and not having the right person in the right job at the right time.

Report on a study of employee mobility. Homequity, Shearwater, 29 Market Place, Wantage, Oxon OX12 8BG.

Business Enterprise Award for Body Shop

BODY SHOP International, the natural beauty products chain, was yesterday named the winner of this year's Business Enterprise Award.

Its record of combining dynamic growth over the past 11 years with an awareness of envirnomental issues saw off the challenge from Sock Shop and three other finalists.

Ms Anita Roddick, the company's co-founder, collected the award from Mr Robin Leigh-Pemberton, Governor of the Bank of England, in London.

The other finalists this year were Pentland Industries of Finchley, Lilliput Lane of Penrith and IAD (UK) of Worthing.

TSB trio join board at Hill Samuel

THE BOARD of Hill Samuel has been reshaped following the acquisition of the merchant banking group by the Trustee Savings Bank last month.

Sir John Read, TSB chairman; Mr Philip Charlton, managing director; and Mr Don McCrickard, managing director of TSB Commercial Holdings, join the board. The chief executives of five Hill Samuel operating subsidiaries have been appointed board members. The former non-executive directors have resigned.

Mr David Davies, Hill Samuel chief executive, also joins the boards of each of the subsidiaries.

Longer hours at Barclays branches

BARCLAYS BANK will keep 183 branches open until 5 pm from next Tuesday as part of the move towards longer opening hours. However, only a limited range of services will be available after the normal closing time of 3.30 pm.

Eternit TAC

Eternit TAC is to establish its own distribution facilities in Essex to import plasterboard into the UK. It is not, as stated in yesterday's paper, taking over the Essex facilities of Lafarge Coppee which has decided to run down its UK plasterboard importing operations during next year.

KEVIN BROWN AND PAUL BETTS COMPARE THE CONTRASTING IMAGES OF TWO MASS-TRANSIT SYSTEMS IN THE AFTERMATH OF THE KING'S CROSS BLAZE

Age and size catch up with London's Underground

THE LONDON UNDERGROUND is the oldest and deepest of the world's major subway systems, and still one of the biggest, despite postwar expansion in cities such as Tokyo.

But with age and size come problems, and there has always been an element of defensiveness by London Regional Transport. "If you were planning an Underground for London from scratch, as if it was a greenfield site, you wouldn't end up with what we now have," managers are apt to say.

Nonetheless, LRT has to cope with the planners' nightmare it has inherited, and there has been grumbling for many years about the way it does so.

Until last week, the authority managed to deflect most of the criticism by pointing to its increasing popularity with the public, and decreasing dependence on the taxpayer and London ratepayers for revenue support. But the fire at King's Cross, which killed 30 people, has unleashed a torrent of claims that the Underground is under-capitalised and starved of investment by the Government.

To some extent, these charges may be answered by the public inquiry, expected to start next week, which will have powers to consider whether LRT's investment policy has had a deleterious impact on safety.

In the meantime, however, LRT executives say there is no question of capital investment being limited by government financial targets, which are aimed at reducing operating costs.

"We are not constrained by financing, not in any way at all. The Government has approved every investment programme that has been put before it; ministers have been very reasonable," said Mr Barry Dale, LRT's finance director.

Until 1984, London's bus and Underground services were operated as a municipal enterprise by the now abolished Greater London Council. One of the issues which brought about the reorganisation was a long political and legal wrangle over the GLC's policy of large fares cuts, subsidised from the rates.

LRT managers say the uncertainty of this period caused lasting damage to the Underground by delaying investment decisions. It also led many observers to confuse the GLC's willingness to finance revenue losses from the rates with an equal willingness to finance capital spending. In fact, managers say the capital spending regime was little different to that of today.

Since 1984, there has been an open squeeze on revenue subsidies. LRT was instructed to reduce its revenue gap (on buses and trains together) from more than £180m in 1983 to £95m in 1987-88. It has more than achieved the target: the revenue gap this year will be about £60m.

The effect of this on capital spending on the Underground is not immediately obvious, because of the agglomeration of revenue and capital grants, and the inclusion of bus financing in the published government figures.

The broad picture, however, is that Underground investment has risen in real terms from £142.3m in 1982 to £171.2m in 1986-87. Over the same period, the government contribution to capital spending has fallen from £165.4m to £100.6m (though it is expected to rise to £113m this year).

The reason for this is that part of the government contribution has been replaced by a healthy operating surplus which is used to swell the capital spending fund. The system lost £23.1m in 1982, £12m in 1983, and £2.8m in 1984-85, before reporting a surplus of £42.9m in 1985-86 and £70.6m last year.

The operating surplus follows an increase of more than 50 per cent in the number of passengers over the past three years, caused by rising numbers of City commuters and the success of the Travelcard season ticket. In effect, fare income from passengers has replaced both revenue subsidies and a large chunk of the government capital spending grant.

In terms of investment in the system, this would matter only if the reduced capital spending grant was regarded as a lost opportunity to improve the system. But LRT managers say it is not.

If the Government offered to make unlimited money available tomorrow, said Mr Dale, it would make no difference to the capital spending programme because there is a physical limit to the amount of work that can be carried out at any one time.

But if capital spending is adequate and rising now, managers say this has not always been the case - particularly during the recession of the mid-to-late 1970s. In cash terms, Underground capital investment grew from £14.6m in 1970 to £65m in 1979, a fairly limited increase given the high inflation from 1973 to 1976.

Many of the fixed assets, such as escalators, lifts and station decor, had been installed during the 1920s and 1930s and required replacement. The authorities decided to save money by not replacing these and, to some extent, this explains the scruffiness of parts of the system now.

This tattiness - together with overcrowding caused by the increase in passengers - is at the heart of a widespread belief that the service is getting worse. The loading of passengers per train has risen from an average of little more than 80 in 1981 to more than 120.

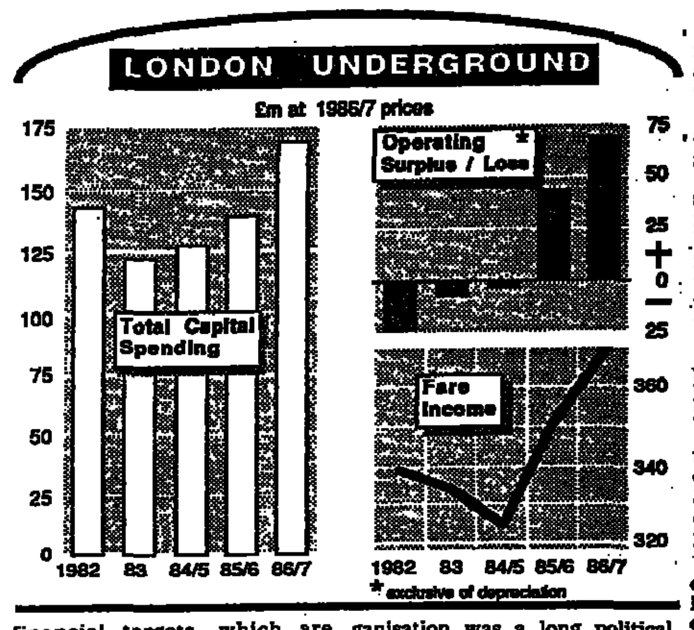
In other respects, there has been little change. The average age of trains is lower than it has been for years, and average waiting time is now 3.3 minutes, compared with 3.24 in 1981.

What is not in doubt is that more investment is required to add capacity to cope with the increased demand. LRT has ordered 16 extra trains, which will add 3 per cent to passenger capacity. The opening of the Docklands Light Railway - effectively an extension of the Tube - and two planned extensions will also relieve overcrowding.

In addition, £500m is to be spent on renewing the Central Line from 1992 onwards, and final proposals are being drawn up for a revamped Northern Line, at much the same cost.

There are also fewer concrete plans for extensions of the Jubilee and Bakerloo Lines into south and south-east London, and a northern extension of the East London Line to Liverpool Street. Some stations urgently require extension, particularly Angel, Farringdon, Liverpool Street, Victoria and the ill-fated King's Cross.

LRT's forward planning includes proposals for capital spending in excess of £200m per year in real terms through the 1990s. However, few decisions are likely to be taken until the report of the King's Cross inquiry has been published.



Tube disaster fails to dent confidence in the Paris Metro

PARISIANS have always been proud of their Metro. The underground, with its unique combination of high-tech and *art deco*, has become a symbol of Paris like the Eiffel Tower or the Louvre.

Shortly after the King's Cross disaster in London, Mr Pierre Mehaignerie, the French Minister of Transport and Public Works, said that he had no intention of asking the Paris urban transit authority - the RATP - to increase safety precautions. After all, he explained, everyone knew that Paris had "the best metro in the world".

RATP officials were quick to stress the safety record. Since the Metro was built 87 years ago to coincide with the Paris exhibition of 1900, there has been only one major disaster, when a train fire caused 83 deaths. The last fatal accidents occurred in 1981, when two collisions each caused one death.

"During the last 10 years we have invested about FFr 400m (£39m) - or FFr 40m a year on fire prevention alone," remarked an RATP official. But then the Paris urban transport network has never skimped on spending. As a result, Mr Mehaignerie said, the Metro provided passengers with one of the best services in the world at the lowest fare cost.

The success of the Paris urban transport system has largely been the product of generous capital spending combined with good technical expertise. The strategy of the past two decades has been to build an inter-linked network of metro, rail and bus services, which started with the modernisation and extension of the underground.

Computerisation of the Metro and automated ticket-barriers boosted efficiency and the introduction of rubber tyres to reduce noise, was another landmark.

Inventive marketing with products such as the *carte orange* (monthly season ticket) and cheap fares have ensured a steady rise in passenger traffic, although in the last few years the number of users has tended to stagnate or rise by only a slim 1 per cent annual rate.

Governments of both the right and the left in France appear to have accepted that an advanced urban transport network requires heavy state subsidies if it is to remain within reach of its users.

"If people can't afford to use the Metro it is pointless to have a system, even if it is one of the most modern and advanced in the world," remarked a local government official. "And since Paris would grind to a standstill without an efficient public transport network capable of transporting about 8.5m people a day, there is little alternative to subsidies."

The cost to the taxpayer is inevitably high. The RATP's operating budget this year will total FFr 15.2bn and its investment, which during the past seven years has ranged between FFr 2.3bn and FFr 2.9bn a year, will amount to FFr 2.65bn.

Only 36 per cent of the operating budget is recouped by ticket sales. The central government contributes another 27 per cent and the local authorities 13 per cent. Another 14 per cent comes from employers in the capital who are charged a local transport levy. At the same time, they refund to their salaried staff about 50 per cent of the cost of the *carte orange*. The remaining 10 per cent of the Metro's budget comes largely from receipts of advertising.

Even these contributions and subsidies are not sufficient to finance the overall investment and operating requirements. This year, for example, the RATP expects to borrow nearly FFr 1.8bn. Indeed, the RATP's total debt burden of just under FFr 15bn is nearly as large as its annual operating budget.

The financial structure of the network raises little debate and there has never been talk of privatising the RATP. One of the first actions of the right-wing government, after it came to power in March 1986, was to replace Mr Claude Quin, the Communist chairman of the RATP. But this was essentially political retribution rather than the start of a new policy towards urban transport.

Although the RATP had entered an expansionary phase under its Communist chairman, with staff levels rising to 38,000, Mr Quin sought to keep a tight control on his budget. Like his predecessors, he wanted to see the contribution from passengers increased gradually to about 50 per cent of the network's budget.

This remains the long-term target of the new management. Despite his Communist credentials, Mr Quin also maintained the Metro's two-class system. Paris remains the only underground network with first and second class carriages. Some passengers try to find refuge from the buskers and beggars who increasingly haunt the Metro by travelling first class for a few francs more.

Crime too has become a problem, although the RATP says it declined by more than a third in 1985-86.

Heath plea for more debate on reform bill

By Tom Lynch

MR EDWARD HEATH, the former Tory Prime Minister, last night criticised the amount of time made available for the debate on the Government's education reform bill after Labour had rejected a Government compromise.

During business questions yesterday, Mr Heath repeated the plea by **Mr Neil Kinnock**, the Leader of the Opposition at last week's Question Time that two days be allowed for the second reading debate instead of the one day planned next Tuesday.

Mr Heath said the bill represented a radical transformation of the education system in England and Wales, and many MPs would want to speak. He recalled that the last major reform, the 1944 act, had had a two-day second reading debate followed by 14 days committee consideration on the floor of the Commons.

His request was turned down by **Mr John Wakeham**, the Leader of the House, and it later emerged that the Government had offered, in behind-the-scenes discussions with Labour, to extend the debate until midnight on Tuesday, instead of the usual 10pm vote.

The offer was apparently rejected on the grounds that the debate would end in a "ragged" manner, but Conservatives voiced suspicion that Labour whips were concerned about their ability to muster a full turnout of MPs for a late vote.

In the Commons, there was laughter when **Mr Ian Gow** (C, Eastbourne), a former close aide of Mrs Thatcher, suggested that Mr Heath might serve on the standing committee of MPs which will consider the bill line by line.

It would be almost unprecedented for someone of Mr Heath's seniority - other than a minister or Opposition spokesman - to serve on such a committee.

Lawson rules out further interest rates cut

BY TOM LYNCH

THE GOVERNMENT has no plans for any further reduction in the level of interest rates, **Mr Nigel Lawson**, the Chancellor, told the Commons yesterday, hinting that no change was likely before Christmas.

Pressed at Question Time by Labour and some Conservatives concerned at the effect of interest rates on industrial costs, Mr Lawson reminded MPs of the one-point fall in base rates in the past month and added: "I don't think any further reduction is called for.

"Although we are all concerned with the possible recessionary influence that may come from the stock market collapse, especially from the US, there are still inflationary forces in the economy that have to be kept under control."

The Chancellor said he hoped there would be a meeting of the Group of Seven leading Western economies before Christmas. Reminded by **Mr John Smith**, the shadow Chancellor, that he had originally wanted a meeting within a week of a deal on cutting the US budget deficit, Mr Lawson said he wanted to be sure the US Congress would support the package negotiated between its leaders and the administration - which would not be clear until after this weekend's US public holiday.

It was also important "to make sure that there are proper preparations for the meeting, including that the conditions are right for all parties concerned to agree to a stabilisation of the dollar.

"That is an essential element in avoiding recessionary dangers."

Later, Mr Smith wrote to Mr Lawson alleging a divergence of view between the Chancellor and the Prime Minister on the management of exchange rates. He quoted from the Financial Times of November 10 the Chancellor's commitment to seek stability of sterling against the Deutschmark, keeping the rate below DM3 but not allowing it to fall significantly.

By contrast, he quoted Mrs Thatcher, in her interview with the FT published on Monday, denying that the pound was tied to any specific range against the German currency.

"Confusion arises from these different explanations of government policy. Can you please clarify the matter so that government policy may be understood?"

In a speech in Kent last night, Mr Smith called for an early meeting of the G7. "On the agenda should be the need for a strategy to avoid international recession and to tackle the urgent problems of the developing world.

"All governments must accept the responsibility they have too easily abdicated to markets because it is now clear that markets cannot undertake these tasks. Markets now crave a lead from the Government - it is a great pity it is not coming forward more clearly."

In the Commons, Mr Lawson dealt sharply with a request from **Mr Alan Beith**, for the Liberals, to take the advice of the National Institute for Economic and Social Research and cut interest rates. "The National Institute has always got it wrong," he said.

Mr Robert Sheldon (Ashton-under-Lyme) a former Labour Treasury minister, said that, since the likelihood of the G7 meeting was "receding week by week," the Government should listen to the Confederation of British Industry's view that interest rates should be cut "to help industry and keep the value of the pound at a more competitive level".

Ministers repeatedly referred to recent CBI surveys showing buoyant exports and investment intentions. Mr Lawson said the reports demonstrated "that the confidence of British industry has been undiminished by the stock market fall. British industry is doing extremely well and is extremely confident of the future".

However, **Mr Gordon Brown**, the shadow Chief Secretary to the Treasury, said the CBI was now predicting a rise in unemployment, output was starting to fall and the manufacturing trade deficit was at its worst ever level. "What you don't spend in higher investment today, you will have to spend on higher unemployment tomorrow."

Mr John Major, the Chief Secretary to the Treasury, dismissed Mr Brown contemptuously. "Most of your facts are incorrect. When you produce the right information, I will respond to it."

When **Dr Jeremy Bray** (Lab, Motherwell South) argued that the 35 per cent rise in manufacturing exports since 1981 was overshadowed by the 81 per cent growth in imports, Mr Major told him: "That is hardly surprising since the UK is growing faster than all its major competitors."

POSSIBILITY OF VAT ON BOOKS LEFT OPEN

MR NIGEL LAWSON, the Chancellor, yesterday refused to commit the Government to retaining the zero-rating of books for value-added tax, writes Tom Lynch.

He was challenged at Question Time by Mr Sam Galbraith (Lab, Strathkelvin and Bearsden), whose constituency includes William Collins, the publisher, which specialises in the Bible. Calling for a categorical assurance that VAT would not be levied, he asked Mr Lawson: "Are you intent on taxing knowledge? Will you tax the Bible?"

Mr Lawson thanked him for his "Budget representation", which he would note as he noted all such representations.

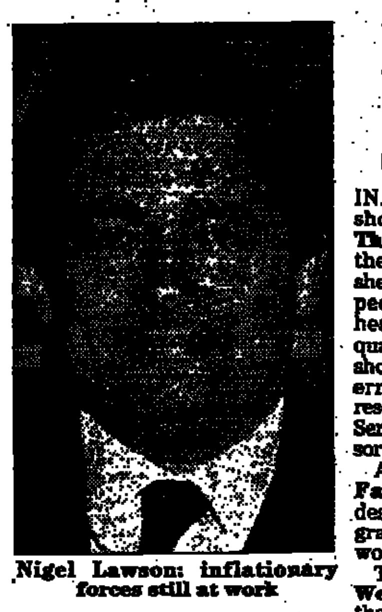
He insisted that the Government would block the levying of VAT on items specified by the Prime Minister during the general election campaign - food, fuel and children's shoes and clothes.

"As for any other matters, we will stick to the convention that statements are made at the time of the Budget and at no other time."

The Chancellor expressed sympathy with Sir Anthony Grant,(C, Cambridgeshire South West) who argued that the present £21,300 level of turnover at which a business becomes liable for VAT was "absurdly too low".

Mr Lawson said the level was the maximum allowed by the UK's treaty obligation to the EC. "We are pushing very hard for that to be increased."

□ There was a net increase in the number of companies registering for value-added tax of 500 a week between the end of 1979 and the end of last year, Mr Peter Brooke, the Treasury Minister of State, told the Commons yesterday.



Nigel Lawson: inflationary forces still at work

Labour MPs shout down Thatcher in health debate

BY IVOR OWEN

INFURIATED Labour MPs shouted down **Mrs Margaret Thatcher**, the Prime Minister, in the Commons yesterday when she responded to complaints that people were dying because health authorities had inadequate funds by quoting statistics showing that the present Government has provided more resources for the National Health Service than its Labour predecessor.

At one point **Mr Andrew Faulds** (Lab, Warley E) described her attitude as "disgraceful" and said, "You silly woman - they are dying".

The Speaker (**Mr Bernard Weatherill**) intervened to insist that the Prime Minister must be given the opportunity to answer.

Mrs Thatcher, strongly supported by government backbenchers, doggedly continued to "give the facts"- major improvements in health care since Labour left office in 1979 included more doctors, hospitals, nurses and midwives, and the number of babies who died within seven days of birth had gone down by a third.

Labour MPs also gave a rough ride to **Mr Tony Newton**, the Health Minister, when he replied to an Opposition motion calling for action by the Government to ensure that district health authorities are not forced to balance their budgets by ordering more hospital beds to be taken out of service before the winter peak of patient admissions.

Mr Newton, showing more political dexterity than the Prime Minister, stressed that the Goverment would wish to make more resources available over and above the increase provided since Labour left office.

He also urged Labour MPs to accept that however much money was made available to the NHS - "and we have made available significant extra amounts" - it would always be possible to use more.

Mr Newton estimated that the additional sums accruing from the new charges for eyesight tests and dental examinations and other income generating proposals in the white paper on primary health care would be in the range of £20m to £70m.

These sums, he said, would not be available under the policies of a Labour Government, and, on past performance, it would not be able to match the present Government's success in increasing the proportion of the gross domestic product devoted to the NHS through successful management of the economy.

Mr Robin Cook, Labour's shadow Social Services Secretary, claimed that the common source of the difficulties being faced by district health authorities throughout the country was the inadequate funding which the Government was providing.

He asserted that while Conservative backbenchers, under pressure from their whips, were supporting the Government in the Commons they were endorsing the criticism being expressed by their constituents about the inadequacy of the provision being made for health care.

Mr Cook recalled that the operation on six-week-old David Barber to deal with a "hole-in-the-heart" condition had been postponed five times in six weeks, and said 70 operations had been cancelled by the same unit in Birmingham in the last five months alone.

While accepting that the problems of the health service could not be solved immediately by "throwing money" at it, he maintained that the crisis in the NHS was "profound" and rose above political partisanship.

Tony Newton: showed his political dexterity

Robin Cook: claimed service was inadequately funded

Walker refuses nomination

By our Political Correspondent

THE FATE of the Scottish Affairs select committee remains uncertain following the refusal of Mr Bill Walker, the Tory MP for Tayside North, to accept nomination by the Commons Committee of Selection.

The composition of the committee has created major difficulties for the Government, given its weak parliamentary representation in Scotland, but an agreement looked likely following lengthy negotiations between party whips.

Under the formula proposed and entered on the Commons order paper by the Committee of Selection, the select committee would be reduced in size from 13 memebrsto nine, comprising five Tory MPs, three Labour and one Liberal.

Mr Walker's withdrawal cast fresh doubt on the Government's ability to establish a Scottish Affairs select committee over which it exercises control. The choice left to the Tories is to put renewed pressure on Mr Walker to sit on the committee, to let it operate with four Tory MPs - it would have a theoretical but shaky majority because the Labour chairman would not have a substantive vote - or not to form the committee.

Further efforts to find a solution are underway in the hope that the problem can be resolved by next Wednesday, when the membership of all the Commons select committees is to be debated in the House. Their formation has been held up by continuing arguments over their composition, and the matter is having to be debated because of objections from some Tory backbenchers about their final shape.

Mr John Wakeham, the Leader of the Commons, said yesterday that he deplored the time it had taken to negotiate the committees' composition

MPs seek northern assembly

BY OUR POLITICAL CORRESPONDENT

TWENTY-SEVEN northern Labour MPs are pressing for the creation of an elected northern assembly to act as the major economic and strategic planning authority for the region.

The Northern Group of Labour MPs, chaired by Mr Giles Radice, the MP for Durham North, is to introduce a bill in January which would establish the non-legislative assembly and also set up a Northern Development Agency. The agency would have similar powers to the Scottish and Welsh Development Agencies.

Apart from its strategic planning role, the assembly - planned to be operational in the 1990s - would direct and co-ordinate regional economic aid, including assistance in the shape of EEC funds, and would also co-ordinate all regional offices of central government departments

The MPs say that their initiative, which stands little chance of reaching the statute book, would for the first time give the northern region a say in economic planning and development. They intend to carry out further consultation on likely additional powers anf functions, covering issues such as health, water, higher education, tourism and leisure.

Mr Radice said last night: "We want to insert democracy and control over the administration of economic policy and of government departments as they affect a region which has been badly neglected by Westminster."

Plans attacked by Kinnock

MRS THATCHER intended to provide a residual health service for the destitute and put health care for the majority of people into the marketplace, Mr Neil Kinnock, the Labour leader, claimed last night.

Talking at Westminster, while the hospitals debate was taking place in the Commons, Mr Kinnock revealed that he has written to Mrs Thatcher, challenging her repeated claims that the average family now faces a weekly tax bill of £29 to help finance the health service, against £11 a week before 1979.

In his letter, Mr Kinnock says that, after the impact of general inflation and of costs directly related to the proviston of medical care, the real increase per average family is only £1 a week.

Since 1979, he claims, the overall real increase in the family tax burden to finance the NHS is 4 per cent

SDP urges education package

By Michael Cassell, Political Correspondent

EDUCATION vouchers for everyone over 18 years old, enabling them to buy education or training of their choice, are suggested in a package of alternative education reforms outlined yesterday by Mr Robert Maclennan, the leader of the Social Democratic Party.

Mr Maclennan, set out in a statement what he described as the "opting-in" approach to education, in direct contrast to government "opting-out" proposals which he claimed were based on elitism and would destroy the community and local democracy.

In addition to the voucher plan, the SDP leader suggested that the Government should introduce a "personal learning plan" along the lines of personal pensions. Individuals and employers would make tax-deductible contributions and the proceeds of the plan would be used for any training or educational purpose at any time during the contributor's life.

Mr Maclennan also said that schools should be able to decide for themselves their maximum capacity, subject to local authorities, which would also be able to allocate budgets

Other proposals would enable parents to be granted representation at classroom level, while there would be a "sensitive" system for appraising teachers.

Next week's parliamentary business

COMMONS

MONDAY: Housing Bill, second reading.

TUESDAY: Education Reform Bill, second reading. Appropriation (Northern Ireland) Order.

WEDNESDAY: Debates on Opposition motions on the economy and protecting lives at work and in the community. Membership of departmental select committees.

THURSDAY: Debate on reports of the public accounts committee.

FRIDAY: Backbench motions on the situation in Cyprus and regional inequality in the UK.

LORDS

MONDAY: Copyright, Designs and Patents Bill, committee. Merchant Shipping (Passenger Ship Construction) (Amendment No 2) Regulations.

TUESDAY: Criminal Justice Bill, third reading. Farm Land and Rural Development Bill, committee.

WEDNESDAY: Debate on the effect of the world economy on the UK.

THURSDAY: Copyright, Designs and Patents Bill, committee. Air Navigation (Noise Certification) Order.

OBITUARY

Lord Duncan-Sandys - former Cabinet minister

LORD Duncan-Sandys, who held major Cabinet posts in the Churchill and Macmillan governments, died yesterday at his Westminster home at the age of 79.

As Commonwealth and Colonial Secretary he had taken a leading role in giving the last of Britain's colonies independence following Prime Minister Macmillan's famous "winds of change" speech.

He first entered parliament in 1935 as MP for Norwood and was one of the last surviving members of Churchill's wartime government. It was in 1935 that he married Churchill's daughter, Diana, but that marriage was dissolved in 1960. He remarried in 1962.

In later years he entered business life and became chairman of Lonrho where he was a key supporter of Mr Tiny Rowland, the chief executive, in the company's takeover battle for the House of Fraser group. He retired from that post in 1984 and became life president of the company.

An aloof, patrician figure with a stubborn streak he was regarded as an extremely able senior member of the Conservative Cabinet but never achieved the the popularity necessary to become a serious contender for the party leadership.

He was born into a political environment. His father was George Sandys, a wealthy Tory MP. His first political speech was composed at the age of four: "The Blues is the good ones. The reds is the bad ones. Vote for my daddy."

After Eton and Magdalen College, Oxford, he entered the Diplomatic Service but resigned in favour of politics in 1933. At that time he founded the "British Movement", a radical, right-wing Conservative group preaching Empire unity and social progress.

In the early war years he saw active serivice in the Army in Norway but was badly injured in a car crash in 1941. This left him with two badly crushed feet and a permanent limp.

From 1941 he was a junior War Office minister and was in charge of planning defences against the V1 flying bombs and V2 rockets. He entered the Cabinet as Minster of Works in December 1944.

In the 1945 general election he lost his seat and did not get back into the Commons until he was elected for Streatham in 1950, a seat he held until 1974. During his years out of office he devoted himself to the founding of the European Movemement which was the forerunner of Western European unity and the Common Market. Back in in the Commons as Minister of Supply from 1951 to 1954 he was responsible for denationalising steel against bitter opposition from Labour.

He was Minister of Housing from 1954 until 1957 but made a greater impact as Defence Minister from 1957 to 1959. His proposals for reliance on nuclear defence at the expense of manned aircraft caused great controversy at the time and was strongly opposed by RAF chiefs.

At the Ministry of Civil Aviation from 1959 until 1960 he forced the big aircraft manufacturing companies to amalgamate and first put the case for Concorde to the Cabinet. As Commonwealth Secretary from 1960 to 1964, which combined the job of Colonial Secretary from 1962, he led Kenya to independence and took a leading role in the Cyprus settlement.

He was noted for his grinding application to work and attention to detail. Macmillan said of him: "If genius is the art of taking infinite pains we have here the greatest mind since Leonardo da Vinci."

When Edward Heath became Tory leader he was removed from the shadow Cabinet and often took an independent and critical right-wing line

John Hunt

In a series on industrial sectors, Alice Rawsthorn looks at the clothing industry's efforts to win back market share

Textile makers cut their cloth to match bracing climate

FOR CENTURIES the thriving textile mills of Lancashire and Yorkshire were an emblem of Britain's industrial prosperity. But in the early 1980s the derelict mills of the north became a symbol of industrial decline.

Yet, as the decade has worn on, the decline of the textile sector has halted. The mill closures, job losses and fall in output have ceased. Productivity and profitability have risen significantly. And although there is no evidence of an increase in production, or that the industry has the confidence to replace its lost capacity, government ministers like to cite textiles as an example of an industry in resurgence. Are they justified in doing so?

The economic recession of the early 1980s hit hard at every area of manufacturing industry, but for the textile industry the blow followed three decades of decline.

This began in the early 1950s as the West German and Italian textile industries gathered momentum and the new textile sectors of Britain's former colonies in the Far East began to flood the British market with cheap cloths and clothing.

Within two decades, employment in the industry had halved and the level of output had fallen below that of West Germany and Italy. Between 1980 and 1981 more than 200 textile mills were closed.

Today, employment in textiles has shrunk to a quarter of what it was in the early 1950s. But the industry is still a powerful force within the manufacturing sector. It employs almost 500,000 people, nearly a tenth of the manufacturing workforce.

The corporate structure of the industry has changed dramatically. Long-established groups such as Courtaulds and Tootal have withdrawn from unprofitable areas. Hundreds of family firms have disappeared and been replaced by forces such as Coats Viyella, Crowthers and Coloroll.

When government ministers use textiles as an example of resurgence, three familiar themes emerge: the higher calibre of management, the introduction of new technology and the consequent improvements in productivity.

The appointment of Sir Christopher Hogg as chairman of Courtaulds in 1980 marked a radical change in the pattern of textile management. Sir Christopher introduced a new breed of bright young executives (drawn from other industries). This initiative has since been adopted by other companies.

The changes in management style coincide with an accelerating pace of technological change. In the past two decades the advent of shuttleless looms has transformed the weaving industry, while open-ended systems have done the same for spinning.

The new machines are far faster and more efficient than their predecessors. The time taken by Coats Viyella to make a man's shirt, for example, has almost halved in the past three years. Its chief executive, Mr David Alliance, is fond of stating that his company can "make textiles for the British market cheaper in Lancashire than anywhere else in the world." Weaving and spinning have been transformed from labour industries to capital intensive industries.

To suit, the industry has adopted more flexible working patterns embracing shift systems and multi-skilled labour. By and large there has been little opposition from the trade unions, possibly because the textile industry is concentrated in some of the most depressed areas of the country leaving the unions with little bargaining power.

The combination of new technology and flexible working patterns has created textile mills working around the clock - the cutting rooms of William Baird's clothing companies now work three shifts a day, five days a week. The impact on productivity has been dramatic; the British Textile Confederation estimates that productivity has risen by 40 per cent since 1980. Profits have also risen.

In this domestic context the British textile industry seems to be in fine fettle. But a true picture can be gained only by comparing it with its international competitors, specifically the West Germans and Italians who now dominate the European textile industry.

In theory the British textile industry is in a position to win back some of the market share it lost during the years of decline. It has two advantages over its competitors: comparatively low labour costs and favourable changes within its domestic market.

A recent analysis by Werner, the international management consultancy, estimated the average hourly pay of a worker in the British spinning and weaving sectors at \$7.09 (£3.96), compared with \$12.98 in West Germany and \$12.67 in Italy.

Moreover, the structural changes within the British retail sector - the introduction of electronic point-of-sale systems which enable retailers to monitor the flow of merchandise more efficiently - have given British manufacturers a competitive advantage over their overseas counterparts.

In theory these changes should have benefited the industry, but there are few signs of a sales increase. The output from the spinning and weaving sectors last year hovered at 82 per cent of its 1979 level, while clothing production was 6 per cent lower than eight years ago.

As a result there are few instances of companies increasing capacity.

Moreover, import penetration has risen, rather than fallen, since the early 1980s. Imports accounted for 30 per cent of the clothing market in 1982 and 32.2 per cent last year, according to the British Clothing Industry Association. This year the industry expects a further increase, principally of Far Eastern goods buoyed by the weakness of the US dollar with which their currencies are linked.

The British industry, resigned to the influx of Far Eastern goods, is now looking to Europe as the likeliest source of future growth: both in terms of winning back sales from European producers in the home market and of boosting exports.

Until recently the industry's progress was not encouraging. Imports from Europe had increased since the early 1980s and the progress of exports had been dull. But in the past year the picture has been more promising: the influx of imports has been halted, while exports to Europe have increased.

At this stage it is difficult to say whether these gains are the foundations of future growth, or a reflection of the short-term benefit of a competitive exchange rate. Nevertheless, Britain's share of trading within the EC is still dispiritingly lower than its share of output.

The simplest explanation for this shortfall is that, despite the gains of recent years, the British textile industry is still less productive than its chief competitors in West Germany and Italy.

Last year Werner conducted an exercise to gauge the level of output per man hour in the production of a standard cotton yarn. The Italian industry, the most efficient in Europe, was rated at 100 and the West German at 96, while Britain lagged behind with 68, on a par with France, Portugal and Spain.

Britain's poor productivity is scarcely suprising given the comparatively low level of modernisation within its industry. By domestic standards, the British textile industry has invested heavily in new technology, but by international standards much of its equipment is hopelessly outdated.

In cotton weaving, for example, Italy was equipped with 29,150 active looms in 1985, half of them modern shuttleless models, according to the International Textile Manufacturers Federation. West Germany sported 24,100 looms, half shuttleless. The British spinning sector was not only smaller, with just 14,230 looms, but less modern, with shuttleless looms accounting for scarcely more than a third of the total.

It would be churlish to disparage the very real advances made by the industry since its nadir in the early 1980s: the new spirit of management, the investment in new technology and the leaps in productivity. In comparison with France, for example, Britain has fared well, but it has further to go to catch up with West Germany and Italy. The dark days of mill closures and job losses may be over, but the time of increased capacity and job creation - of real resurgence - is a long way off.

This series will be concluded next week. Previous articles appeared on November 23, 24, 25 and 26.

High-tech textile maker to expand

By Alice Rawsthorn

THE LANTOR GROUP, which makes high-tech textiles, plans to expand its production plants in Bolton, Lancashire and South Korea, creating jobs at both plants.

At its Bolton factory, which produces non-woven textiles for medical and industrial use, Lantor intends to expand capacity by 25 per cent.

The additional capacity will manufacture non-woven textiles for use in medical products like surgical swabs and and dressings. Production will begin in May. The expansion will create a number of jobs at the plant which employs 250.

In South Korea, Lantor plans to double capacity at its interlinings factory near Seoul. The factory, which has a workforce of 100, supplies non-woven interlinings to the clothing industry throughout the Far East.

The Lantor Group was formed in the late 1950s as a joint venture between Tootal, the Manchester-based textile group which is its managing shareholder, and West Point Pepperell, of the US.

Lower Don Valley 'will need £516m to make recovery'

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

THE 2,600-acre Lower Don Valley in Sheffield will need £516m of investment over seven years if it is to recover from the widespread dereliction caused by reconstruction of the steel industry and recession, according to an independent consultants' report published yesterday.

The £60,000 report, funded by government, Sheffield City Council and the local business community through the chamber of commerce, is by a group of planners, surveyors and engineers from Coopers and Lybrand, Drivers Jonas, Crouch and Hogg, and Sheffield Polytechnic.

The valley - one of the north's most depressing eyesores - was devastated economically by the closure of eight large companies between 1974 and 1986. This led to 35 per cent of the valley's land becoming derelict, involving 1m sq ft of largely unconvertible factory space.

About 18,000 jobs were lost - more than half the total in the valley. Sheffield's unemployment rose from 4 per cent to 18 per cent in 1978-84 and there are still 44,000 jobless in the city.

However, the valley is still a key national centre for the metals industry, with special steels manufacture and processing, cutlery and toolmaking foundries, and scrap metal operations. These accounted for 72 per cent of the 17,000 remaining jobs, involving 43 per cent of 400 businesses of which 86 per cent employed under 50 people each.

Most are unhappy: the report reveals that 80 per cent of the companies want improvements to the environment and infrastructure. Under 10 per cent have made any significant investment in the last three years.

Barriers to recovery include a poor image and development climate, unco-ordinated promotion, scattered sites in diverse or mixed ownership requiring powers of land assembly, pollution, and poor services.

These are worsened by the valley having too narrow an industrial base, lack of marketing skills among small businesses, scarcity of local financial institutions, low rental levels that discourage private building, modern skill shortages among local unemployed, lack of innovation in product design and processes, and low investment.

The report suggests a four-pronged attack involving land assembly and reclamation, six flagship projects, industrial, environmental and training programmes, and positive image-building.

The strategy envisages a private sector contribution of more than £313m initially, in a ratio of more than 3 to 1 with public sector funding.

The report also tackles what in Sheffield is the most delicate of political problems - who should run the strategy. Sheffield City Council's municipal-led approach to economic development has put it into almost constant conflict with the Government.

The report says the Labour-controlled city council should not be put in charge because any initiative could then not be led by the private sector and the council would not present the sort of image needed to attract private sector investment.

It also rejects the valley being made into an urban development corporation because the council would not support it.

They therefore suggest a new approach in which the area would be designated an Urban Regeneration Project. This would involve setting up a private sector body with a management board appointed by the Government, Sheffield City Council, the private sector and community organisations.

It would negotiate a five or seven-year funding programme with the Government but would be largely dependent on existing urban and environmental grant mechanisms.

If this is not acceptable the report suggests a "modified" UDC with no planning powers, which would be left with the local authority.

Why City developers may relax their terms

TRYING to work out what will happen in the City of London offices market is a bit like trying to read tea leaves when the beverage is still being poured out of the pot.

Perceptions have been changing faster than the facts behind them. Before the equity market fall, lay-offs in the securities industry - Salomon, Shearson Lehman and so on - were shrugged off as normal adjustments after deregulation. Now those "normal adjustments" are cited as evidence of a contraction in the industry which will spin off into appreciably lower demands for office space.

The bare fact now is that space in the City is very tight. The new buildings that have become available this year are answering demand that registered in previous years, crucially from the financial sector but increasingly from the professionals who support them.

So the question is whether the demand will be sustained. The hardening conventional wisdom is that supply and demand will come into balance in 1989 instead of 1990-91, but it is the wisdom of guesswork not of calculation.

In the marketplace, where the very shortage of accomodation inevitably restricts deals, business is still being completed. Since Monday October 19, the first day of the London equity tumble, S.G. Warburg has signed to take 2 Finsbury Avenue and County Natwest has signed a sub-lease from Shearson Lehman at Broadgate, the biggest office development in the City. Both these contracts were arranged before October 19 and just carried on. They did not fall apart.

This is not to say that all is normal. "There are some very nervous people around," said Nicholas Baucher of Baker Harris Saunders, the surveyors who have specialised in the City market. "Tenants are holding back and they are waiting to see which schemes will go," he added, pointing not to lack of demand but concern as to how that demand might be satisfied.

Because perceptions about the future of the financial markets have changed, delay makes sense in terms of signing up for accomodation. "Five weeks into the fall is not the right time for property decisions - that's much longer term. You don't move in and out of property every other week," noted Michael Heath of Smith New Court.

Now that the idea has caught hold that rents could stabilise after their meteoric rise the big office occupiers can afford to wait to see if the market moves their way. But they carry on looking.

Midland Bank which is wrestling with around 20 head office buildings spread over the City is continuing its search to consolidate. The market fall "has not diverted us at all," said a spokesman. The bank has been looking at London Bridge City, but has been put off by the planning problems that have hit St. Martin's Property, the developers. Its attention is directed towards Broadgate and Canary Wharf in London Docklands.

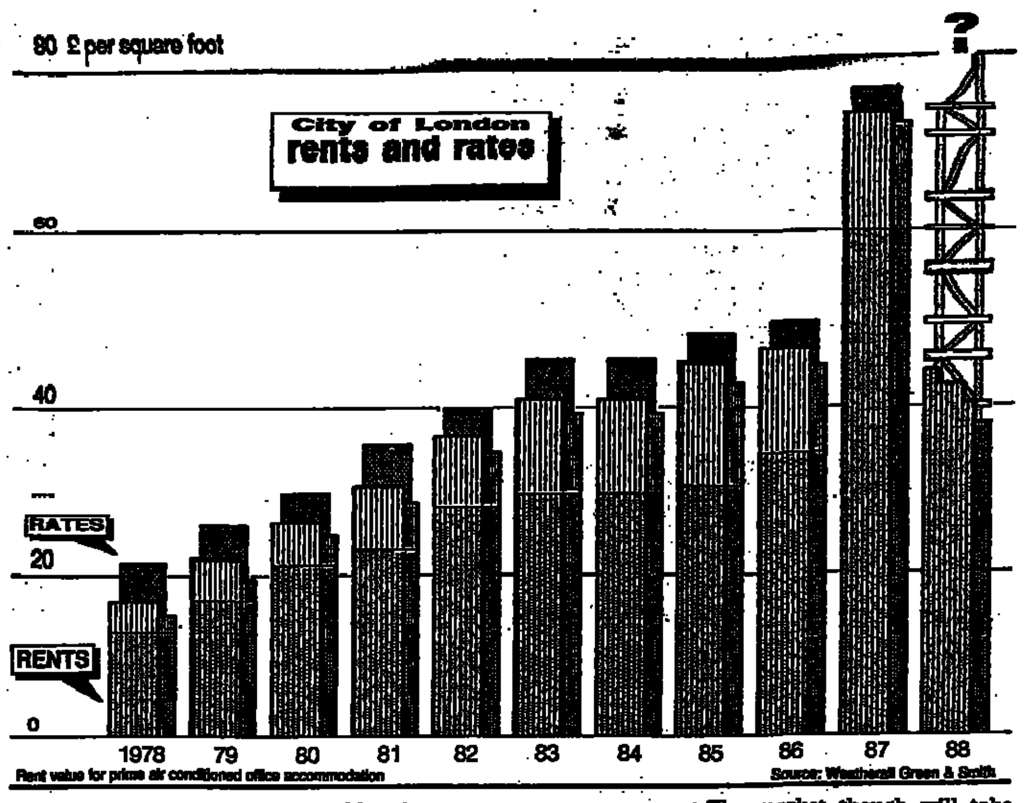
Similarly with Lloyds Bank, which has already taken space at London Bridge City. With two dozen head office departments in the City, said Tony Mundy, "we are looking for consolidation - but at the lowest possible cost. It is more likely we would go for a fringe location than King William Street (in the heart of the City)." The point here is that the equity crash has had no effect on staff numbers. The accomodation needs are unchanged.

The financial houses whose needs could reduce are those which dispense with whole departments, not those who might shave off one or two people here and there. Goldman Sachs, which has bought the old Daily Telegraph building on Fleet Street for redevelopment, is not planning to get out of any of its areas of business.

"Our projections for space look a bit less bullish than six months ago," observed Brian Maier, the vice president, "but the order of magnitude is not sufficient to steer us away from what we're trying to do." He noted that while the financial world can change rapidly "we still see a long term requirement for additional space in London." Uncertainty though is compounded when rationalisation is in the air. This is one factor which caused James Capel to back off taking space at Broadgate. Its parent, Hongkong and Shanghai Baking Corporation, wanted more time to consider space needs in the light of its acquisition of a stake in Midland Bank.

The other factor was that the Broadgate building was too large for James Capel and a third of its would have to be sub-let. Such exposure to the property market was more than Hongkong and Shanghai or James Capel wanted.

James Capel's withdrawal from Broadgate followed that of Paine Webber. But Peter Kershaw of Rosehaugh Stanhope, developers of the Broadgate complex, said that a further 10 negotiations were in the hands of solicitors. Interest in the space had not fallen off, he stressed. Further, even if the interest from the financial houses was eliminated, there would still be the demand from the service sector - the accountants, solicitors and so on.



Rent value for prime air conditioned office accommodation

Source: Weatherall Green & Smith

So there is life in the City yet. Whatever the shake out in the financial sector, there remains the problem of outdated accomodation, ill-suited to the needs of modern communications technology. What appears to be changing is the calculation of the price that needs to be paid in order to obtain it.

And that, of course, is the Canary Wharf card. Robert John, the UK chief executive of Olympia & York, the Canary Wharf deveopers, has noted a perceptible change in the nature of enquiries for space. Five weeks ago transport was the first element of query and costs were second. Now those elements have been reversed.

"The major players are certainly reconsidering their requirements. The smaller players are actively looking," said Mr Kershaw. This view is borne out by Mr Baucher, who noted that Baker Harris Saunders has increased over recent weeks the level of business it is doing on small properties.

The market though will take its flavour from the large transactions. And here a litmus test of its vigour will be the response to the marketing, early next year, of Lutyens House, the Greycoat 200,000 square feet redevelopment behind the existing facade and of Beaufort House, a 300,000 square feet new building from P&O and Mountleigh. The change in atmosphere suggests that the developers will be more willing to relax their terms than they would have been five weeks ago.

THERE are 150 building sites in the City of London and developers have been racing to cash in on the spiralling rents that these represent. The City Corporation has handed out planning consents for 15m sq ft of space in the last two years in an attempt to ensure that the financial services sector stays in the Square Mile rather than being tempted by Docklands a few miles to the east.

But supply of space has not yet caught up with demand. In the latest batch of market reports from surveyors, Richard Saunders reported that available space had fallen again in September to 1.975m sq ft, although the amount of space let or placed under offer had fallen.

Over the last year, calculated Savills, demand has been over 8m sq ft, more than double the previous year, of which nearly half was pre-let for space to be delivered over the next three years.

The present shortage will continue during 1988 but begin to fall in 1989, so that rental growth is likely to carry on over the next year, according to Hillier Parker. David Park, the City District Valuer, expects the first rent of £65 a sq ft by next April.

At the moment there is around 5m sq ft of space under construction which will be ready before 1990, and another 20m sq ft planned after that date. Whether it will all be built is doubtful. The City planners are prepared to interpret policy guidelines more stringently and the banks may begin taking a more jaundiced view of developers' fancier schemes.

This announcement appears as a matter of public record only.

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Legal Notice

WELLINGTON SAILBOARDS LIMITED

John Martin Iredale of Cork Gully, Phoenix House, Station Hill, Reading, RG1 1UN, was appointed Administrative Receiver of Wellington Sailboards Limited (registered no: 1622448), also known as Wellington Watersports and Wellington Sport and Leisure, by Balcombe Camping Centre Limited on 18th November 1987.

Dated 23rd of November 1987
I.M.IREDALE.

IN THE MATTER OF THE INSOLVENCY ACT 1986 AND IN THE MATTER OF R.K.U. LIMITED (In Receivership)

NOTICE IS HEREBY GIVEN, pursuant to section 48 of the Insolvency Act 1986, that a meeting of the Creditors of the above named company will be held at GREAT EASTERN HOTEL, LIVERPOOL STREET, LONDON EC2 on MONDAY 30 NOVEMBER at 2.30 p.m. for the purposes of having laid before it the report prepared by the Administrative Receiver in accordance with the said section and, if thought fit, appointing a committee.

Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as security held by him (unless that other person is subject to a bankruptcy order or in liquidation).

Creditors wishing to vote at the above meeting must lodge a written statement of their claims with me at Singla & Company, Chartered Accountants, 49 Queen Victoria Street, LONDON EC4N 4SA no later than 12 noon on Friday 27 November 1987. A form of proxy, if intended to be used, must also be lodged with me by that time. A copy of my Report can be obtained, free of Charge, by written request.

Dated this 24th day of November, 1987.

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AUCTIONS

The Financial Times proposes to publish this survey on Friday 29th Janaury. The Following areas will be analysed:
PROPERTY
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b) Residential property & land
c) Agricultural land & farms
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Company Notices

National Westminster Bank PLC
(Incorporated in England with limited liability)

Issue of U.S.$ 500,000,000
PRIMARY CAPITAL FRNs (Series "C")
(Floating Rate Notes)

In accordance with the provisions of the Notes, notice is hereby given, that for the three months interest period from November 30, 1987 to February 29, 1988 the Notes will carry an Interest Rate of % per annum.

The interest payable on the relevant interest payment date, February 29, 1988 against Coupon No. 9 will amount to U.S.$ for Notes of U.S.$ 10,000 nominal and U.S.$ for Notes of U.S.$ 100,000 nominal.

Agent Bank
KREDIETBANK
S.A. LUXEMBOURGEOISE

CL CREDIT LYONNAIS

U.S.$ 300,000,000 Floating Rate Notes due 1995

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from November 30, 1987 to May 30, 1988 the Notes will carry an Interest Rate of % p.a.

The interest payable on the relevant interest payment date, May 30, 1988 against coupon n°10 will be U.S.$ per Note.

The Fiscal Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

WOOLWICH EQUITABLE BUILDING SOCIETY
£200,000,000 Floating Rate Notes due 1995

NOTICE IS HEREBY GIVEN by the Issuer that copies of its annual report and accounts are available upon request from its chief office or from any of its branches.
27th November, 1987.

NOTICE TO BONDHOLDERS OF SEKISUI HOUSE LTD.
Yen 15,000,000,000.
2½ PER CENT.
CONVERTIBLE BONDS DUE 1995 (the "Bonds")

Pursuant to Clause 7, Subclause (B)(iv) of the Trust Deed relating to the Bonds, notice is hereby given as follows:
At the meetings of the Board of Directors of Sekisui House Ltd. (the "Company") held on October 19, 1987 and October 31, 1987, the resolution was adopted for the issues of convertible bonds, the payment of which were made on November 24, 1987. Such issues are composed of:

(i) 30,000 Million Yen 1.6 percent Convertible Bonds Due 2003-
(ii) 30,000 Million Yen 1.6 percent Convertible Bonds Due 2000-
(iii) 20,000 Million Yen 1.5 percent Convertible Bonds Due 1997- and
(iv) 20,000 Million Yen 1.4 percent Convertible Bonds Due 1995.

Pursuant to Condition 5 (C)(iv) of the Terms and Conditions of the Bonds, the Conversion Price was adjusted from Yen 603.8 to Yen 601.8 per share of Common Stock of the Company effective as from November 25, 1987, Tokyo time.

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CANADA - UNITED KINGDOM FREIGHT CONFERENCE
NOTICE TO SHIPPERS AND IMPORTERS
SERVICE AND TERMINAL CHARGES IN CANADA
GREAT LAKES ADDITIONALS.

The member lines of the above conference operating services between the United Kingdom, Northern Ireland and the Republic of Ireland and Canadian Maritime, St. Lawrence River and Great Lakes Ports, have to advise that consequent upon an announcement by the Canadian Rail Companies of an increase in their Freight charges effective 15th December 1987, also an increase in wharfage charges effective 1st January 1988, it has become necessary to reflect these third party increases in the Westbound Great Lakes additionals and service and terminal charges in Canada. Details of the new charges effective 1st January 1988 may be obtained from any of the undernoted member lines:-

Atlantic Container Line B.V.
Canada Maritime Ltd
Cast (1983) Ltd
Hapag Lloyd A.G.
MI Containerline Ltd

Canadian Atlantic Freight Secretariat Ltd
Secretaries
Stoner House
Kilnmead
Crawley
West Sussex
RH10 2BL

Bergen Bank International S.A.
USD 10,000,000 floating rate subordinated loan notes 1989

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the six months interest period from 19/11/87 to 19/5/88, the Notes will carry an interest rate of 7.9375% per annum, and the Coupon amount per USD 500,000 will be USD 20,064.24, the period being 182 days. USD 2,500,000 nominal of the Notes have been redeemed, and the amount of Notes now outstanding is USD 7,500,000 nominal.

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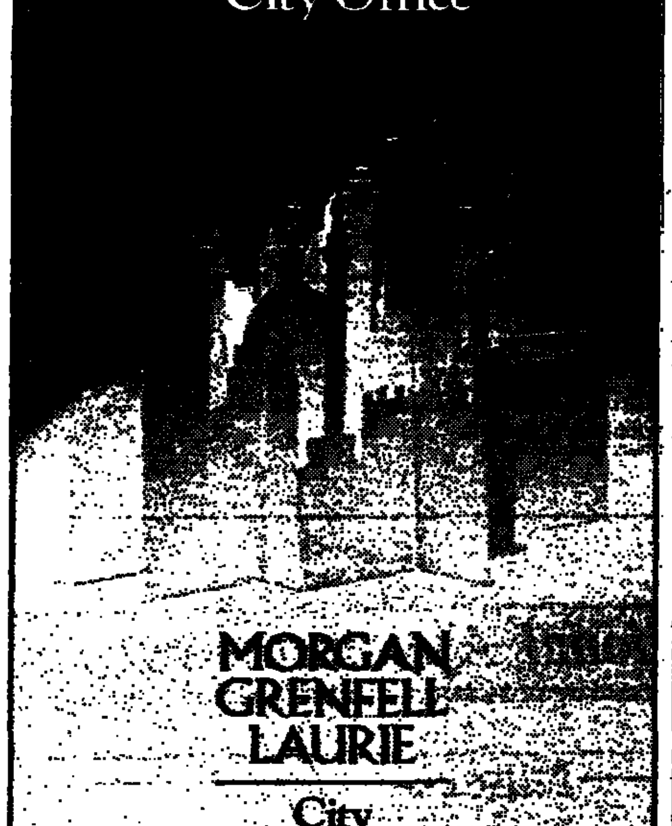

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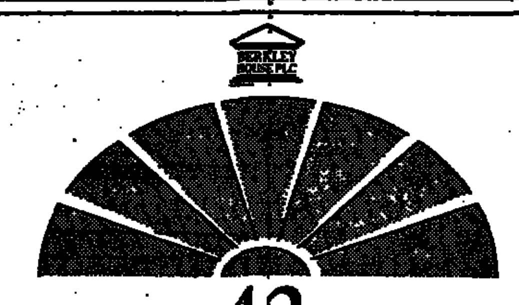

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2- The sealed bids for the above requirement must reach us by mail or be handed to our commission at the Supply Department of the General Directorate of Turkish State Railways (TCDD) on January 18th, 1988 at 15,00 hours.

3- The related tender documents may be purchased from under our cashiers at the General Directorate of Turkish State Railways (TCDD) in Ankara or in Sirkeci-Instanbul, at a cost of US:$150,- plus vat.

4- The subject of the bid will be indicated on the bid envelopes.

5- A bid bond at the rate of 2.5% of the total bid value must be submitted together with the bids.

6- TCDD is completely free to with held or to make the award in full or in part to any of its choice

B-33831

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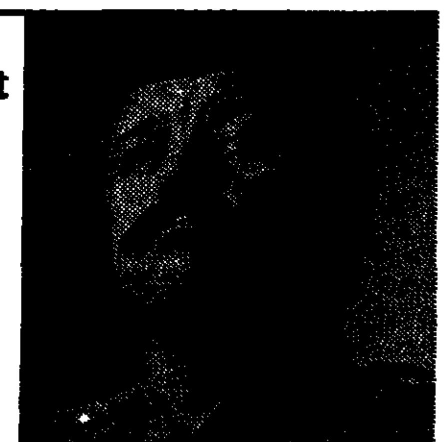

'Perhaps the bravest man I ever knew...'

and now, he cannot bear to turn a corner

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These men and women have given their minds to their Country. If we are to help them, we must have funds. Do please help us with a donation, and with a legacy too, perhaps. The debt is owed by all of us.

"They've given more than they could—please give as much as you can".

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REPUBLIC OF INDONESIA
US$200,000,000
Floating Rate Notes due 1992

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period from 30th November 1987 to 31st May 1988 has been fixed at 7.8125 per cent per annum. On the 31st May 1988 interest of US$397.14 per US$10,000 nominal amount of the Notes and interest of US$9,928.38 per US$250,000 nominal amount of the Notes will be due against Interest Coupon No.12.

SWISS BANK CORPORATION INTERNATIONAL LIMITED

Reference Agent.

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Anglo American Corporation of South Africa Limited

(Incorporated in the Republic of South Africa)

Registration No. 01 05309 06

Preferred stock dividend

On Thursday, November 26 1987, the directors of the Corporation declared dividend No. 117 on the six per cent cumulative preferred stock, equivalent to three per cent, for six months ending December 31 1987, as follows:

Last day to register for dividend (and for changes of address or dividend instructions)	Friday, December 18
Registers closed from to (inclusive)	Saturday, December 19 Saturday, January 2
Ex-dividend on Johannesburg and London stock exchanges	Monday, December 21
Currency conversion date for sterling payments to shareholders paid from London	Monday, December 21
Dividend warrants posted	Monday, January 25
Payment date of dividend	Monday, February 1
Rate of non-resident shareholders' tax	13.4027 per cent

The full conditions relating to the dividend may be inspected at the Johannesburg and London offices of the Corporation and its transfer secretaries.

By order of the board
C. L. Maltby
Secretary

Johannesburg
November 27 1987

Head office:
44 Main Street
Johannesburg 2001

London office:
40 Holborn Viaduct
London EC1P 1AJ

Deutsche Siedlungs- und Landesrentenbank Bonn/Berlin

DSL Bank

DM 100 000 000,—

Floating Rate Notes
Schuldverschreibungen — Serie 225
1987/1997

For the three months 25th Nov. 1987 to 24th Febr. 1988 the notes will carry an interest rate of 3.90% (Fibor less 0,10%) per annum with a coupon amount for DM 48,75per DM 5 000,— note.
The relevant interest payment date will be 25th Febr. 1988.

Listing in Düsseldorf and Frankfurt.

DSL Bank
Deutsche Siedlungs- und Landesrentenbank
Kennedyallee 62—70, 5300 Bonn 2
Telephone 02 28 / 889-215
Teletex 228324 DSL Bank

CONTRACTS

Refurbishing Cardiff's New Theatre

BOVIS CONSTRUCTION is undertaking a £3m refurbishment of the New Theatre Cardiff. The project involves maintaining the Grade II listed facade of the theatre, major interior alterations involving partial demolition and provision of services throughout the building.

Inside the foyer and rotunda floor levels, access stairs and office accommodation will be demolished. The roof will be removed and raised along the Greyfriars Road elevation. A grand spiral staircase will be constructed and provide access to the three new foyer levels and basement. The design of the staircase will echo the balustrades on the external dome and provide an open view of all floors.

Refurbishment work in the auditorium area will include an extension of the present gallery level to the box area, a new rear access to the circle and new gangway links for the front and rear circle areas. The stalls will also include a raised area for disabled patrons and an enlarged control room.

Although some improvements were made backstage in 1986 a new star dressing room with en-suite bathroom will be built on the site of the present stage door, while the other dressing rooms will be decorated and there will be new shower and toilet facilities. Office accommodation in the dressing room area will be relocated to a new level above the foyer and new dressing rooms created in the vacated areas.

A steel-framed plant room will be built above the new office accommodation and two escape stairs, one steel and one concrete, will provide access and escape to the auditorium boxes and foyer areas.

Rush & Tompkins busy in the Caribbean

RUSH & TOMPKINS has over $8m (£4.5m) worth of work in progress in the Caribbean. About $5m (£2.78m) worth of construction work is being undertaken for the Nassau-based Sandyport Development Corporation. The company has a contract for construction of a diversion to the main dual carriageway coast road, including a two-span bridge in reinforced concrete and other infrastructure works for a marina development. The company is also building six showhouses for the corporation which will be completed by February.

Among several current contracts for the Government of the Bahamas there are three projects at Nassau International Airport for the Ministry of Transport which are nearing completion. The first of these is a contract to construct crash rescue garage facilities for emergency use to the main runway at the airport which is to be completed by the end of February. The building is a steel-framed and metal-clad structure. A nine-month contract to construct a single-storey police station and VIP lounge at the airport is due for completion this month. A contract to upgrade the security fencing at the airport will also be completed.

A contract for the administration building for Nicholls Town, Andros, which will accommodate courts, police, fire, ambulance and local government facilities, was awarded by the Ministry of Works and is due for completion next June. The 6,000 sq ft two-storey building is in the Colonial style. Also in Nicholls Town, the company is building, for the National Insurance Board, a single-storey clinic which will accommodate dental, medical and maternity facilities for the population of north Andros. This is due for completion at the end of May.

Data from sensing satellites

The data recording division of **THORN EMI DATATEC** reports that the Earthnet programme based at ESRIN, the European Space Research Institute in Frascati, Italy, has placed an order worth £250,000 for two high-density digital data recorders. The recorders will be used at the Earthnet facilities of Maspalomas and Frascati to handle data received from a number of remote sensing satellites.

The Maspalomas station in the Canary islands will use the equipment to record data from the Earth Observation Satellites such as USA's LANDSAT and Japan's MOS-1 (Marine Observation Satellite), and the French SPOT.

Later, data from the European Space Agency's own ERS-1 missions will be recorded.

Saudi power station burners

HAMWORTHY ENGINEERING, part of the Powell Duffryn Group, is supplying combustion equipment to the Saudi Arabian State Power Company in a deal worth over £1m. The contract is to refurbish the 1600 MW Ghazlan power station on the Gulf coast and supply 96 burners.

Although the Saudis have abundant oil reserves, they are anxious to curb any unnecessary waste, so steam is injected into each burner atomising the oil just prior to ignition. This promotes an efficient combustion rate lowering the fuel consumption of each boiler to four and a half tons per hour.

Pumps for the oil industry

WEIR PUMPS has beaten international competition to win a contract, worth around £1.5m, from Mitsubishi Heavy Industries of Tokyo to supply seven water injection pumps for the Middle East oil industry.

The 5000 barrel casing pumps are each capable of pumping 500 cu metres per hour at 180 kg per sq cm. Contract delivery is September next year.

Grouting Scottish coal mines

NORWEST HOLST SOIL ENGINEERING has won nearly £1m worth of work in Scotland. Most of it, totalling £850,000, consists of grouting three old coal workings in the Glasgow area.

The largest of these - worth £320,000 - involves stabilising three coal seams by drilling 44,000 metres and injecting 10,000 tonnes of PFA, sand and cement.

Another coal seam grouting contract involves working beneath a tenement block. Because of the lack of access most of the 19,000 metres of drilling will be angled from outside the perimeter of the building. In this case, reducing noise and dust to a minimum are important factors. One of the company's own mixers will be used for batching the 9,000 tonnes of grout needed. In total, the three contracts will require 73,000 metres of drilling and 20,000 tonnes of PFA, sand and cement.

Making up the total value of the orders is a site investigation of the new A76 Kirkconnel and Sanquhar by-pass.

*

Under a £250,000 plus contract, Harkwell Adhesive Labels has installed the first Digilabel system from **HARRIS GRAPHICS**, Slough. The system was developed by DISC of Belgium, and in this installation will be used primarily for the design and production of on-the-reel self-adhesive labels for the food, textile and cosmetics markets.

Galleys for Air India

C.F.TAYLOR (METALWORKERS), a member of EIS Group, has won an order worth about £3.5m from Air India for the design and manufacture of aircraft galleys. The contract is to supply galleys for two new B747-300 aircraft and five existing B747-200's undergoing a retrofit programme, with deliveries in 1988/1989.

Air India is considering the retrofit of a further five B747-200 aircraft and/or purchase of additional B747-3000's and C.F.Taylor therefore expects further business from this source over the next two years.

Steel profiles to make Iraqi windows

DRSM INTERNATIONAL, part of the DSRM Group, which is 50 per cent owned by the Norrros Group and the British Steel Corporation, has gained a further contract worth US $2.5m (£1.5 m) for hot rolled special profiles to be used in the fabrication of steel windows. This contract ensures continuity of supply to Iraq through to the end of March, 1988. The profiles will be produced at Darlington & Simpson Rolling Mills in Darlington.

*

INBUCON MANAGEMENT CONSULTANTS has been awarded a £1m plus contract by FKI Electricals to provide over 50 consultants and temporary executives to assist with the restructuring and rationalisation programme following the FKI Babcock merger. The Inbucon team will be deployed throughout the UK, North America and several European countries

*

New orders worth £80,000 from Clydesdale Bank, Citicorp Investment Bank, Access, and Whitbread & Co have been placed for the VALENT electronic key telephone with **TR FINANCIAL COMMUNICATIONS**, a subsidiary RFC of Telephone Rentals.

NOTICE OF REDEMPTION

Consorzio Di Credito Per Le Opere Pubbliche

(Public Works Credit Consortium)

Public statutory body established by Decree—Law No. 1627 of September 2, 1919, converted into Law No. 488 of April 14, 1921

U.S. $50,000,000 7¼% 28-Year Guaranteed Bonds of 1970
Special Series Due January 1, 1998 Guaranteed by The Republic of Italy

NOTICE IS HEREBY GIVEN that, pursuant to Article 3 (a) of the Terms and Conditions of the above-mentioned Bonds and in conformity with the Paying Agency Agreement dated as of December 18, 1969, U.S. $2,500,000 in principal amount of the above Bonds will be redeemed on January 1, 1988, at par (the redemption price) together with accrued interest thereon to said redemption date.

Serial Numbers of the Bonds to be redeemed are set forth below in groups from one number to another number, both inclusive:

Serial Numbers	Serial Numbers	Serial Numbers	Serial Numbers
1301 through 1350	18251 through 18300	26851 through 26900	39001 through 39050
3501 through 3550	19201 through 19250	30401 through 30450	41151 through 41200
4851 through 4900	20801 through 20850	30451 through 30500	41351 through 41400
5501 through 5550	21401 through 21450	30551 through 30600	41401 through 41450
9401 through 9450	22251 through 22300	31801 through 31850	43101 through 43150
10451 through 10500	22351 through 22400	33601 through 33650	44551 through 44600
12001 through 12050	22851 through 23000	34151 through 34200	45501 through 45550
12801 through 12850	23001 through 23050	35301 through 35350	46801 through 46850
13201 through 13250	23601 through 23650	35751 through 35800	46851 through 46900
13451 through 13500	25351 through 25400	37051 through 37100	47651 through 47700
14101 through 14150	25651 through 25700	37801 through 37850	48301 through 48350
15701 through 15750	25851 through 25900	38401 through 38450	
15801 through 15850	26801 through 26850	38751 through 38800	

Interest on the Bonds to be redeemed will cease to accrue from and after January 1, 1988. On such date the redemption price will become due and payable on each of said Bonds and payment therefor together with accrued interest will be made at any one of the following:

The Chase Manhattan Bank (National Association), Corporate Bond Redemptions
Box 2020
1 New York Plaza, 14th Floor
New York, New York 10081

Banca Commerciale Italiana, S.p.A.
Piazza della Scala, 6,
Milan, Italy

Banque Internationale a Luxembourg S.A.
2, Boulevard Royal
Luxembourg,
Grand Duchy of Luxembourg

Deutsche Bank A.G.
5-11 Junghofstrasse
Frankfurt a/M,
Federal Republic of Germany

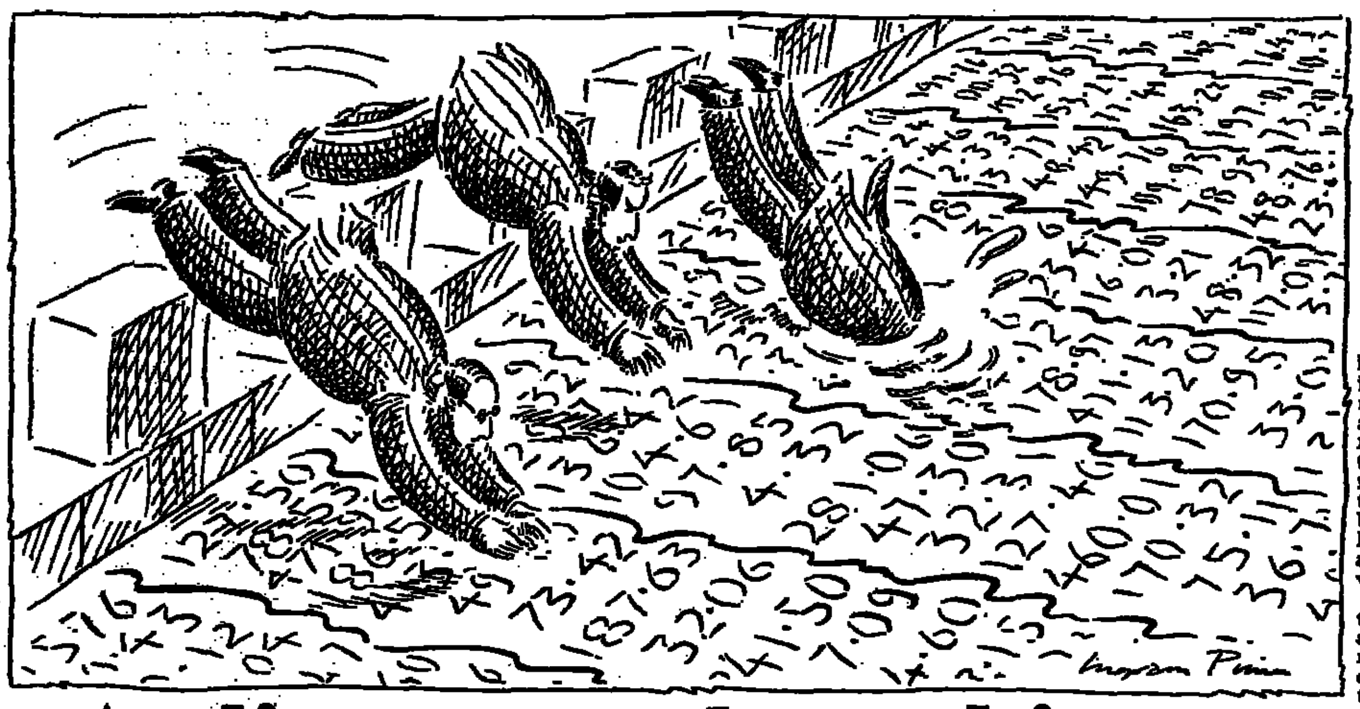
Upon presentation and surrender of said Bonds with all coupons attached maturing after said redemption date (Coupon No. 37 and subsequent). In the event that any such coupon is not so attached, the amount of said coupon will be deducted from the redemption price. Coupons which shall mature on, or shall have matured prior to, said redemption date should be detached and surrendered for payment in the usual manner. If any of the Bonds to be redeemed are registered as to principal, payment of the redemption price therefor will be made only at The Chase Manhattan Bank (National Association), at the address mentioned above, except that Banca Commerciale Italiana, S.p.A., at the address mentioned above, is also authorized to make payment of the redemption price on any of the Bonds to be redeemed that are registered as to principal and owned by an insurance company doing business in the Republic of Italy.

CONSORZIO DI CREDITO PER LE OPERE PUBBLICHE
By: The Chase Manhattan Bank (National Association),
American Paying Agent

Dated: November 27, 1987

International Appointments

MANAGEMENT



Auditors are plunged into a more competitive market

BY RICHARD WATERS

EARLIER THIS year Chloride, the UK batteries group, dropped its auditors of more than 20 years' standing, Coopers & Lybrand, and appointed Arthur Andersen in their place. It reckons to have saved £100,000 of its annual £400,000 audit fee and got a better service

"I believe that as a modern finance director, you should at least go through the motions of reviewing your audit arrangements regularly," says Peter Regnier, Chloride finance director.

Attitudes like this have made auditing less the secure business it was. They are helping to bring down audit costs and keep auditors on their toes It is a buyers' market, says Regnier.

Audit switching is still rare. Between 3 and 5 per cent of companies change their auditors each year, according to Brian Jenkins, head of audit at Coopers. Most of the changes are prompted by takeovers, with acquiring companies appointing their existing auditors to their new subsidiaries. But an increasing number come out of the blue.

Though this initiative by directors is a healthy sign of a more competitive audit market, it hints at closer ties between directors and auditors which are causing concern in some quarters. They feel that such ties, reinforced by the greater range of services offered by auditors, undermine the position of shareholders who, in theory at least, have final say on the appointment of auditors.

The competition between auditors surfaced publicly this month with the launch by Coopers & Lybrand, the country's second largest firm, of a £1m advertising campaign in newspapers and selected magazines to suport its auditing effort. It is the first large campeign to sell auditing and signals the start of a battle for supremacy in the audit market.

Auditing, though generally said to be a mature market, is still an attractive one for accountants. It is thought to be worth more than £1bn a year and is growing faster than the rate of inflation. The top eight firms account for more than half of all audit business.

Jeffery Bowman, senior partner of Price Waterhouse, reckons that his firm's audit fees rise each year by about 4 per cent more than the underlying growth in the economy.

It is less profitable than it was. Rapidly climbing salary bills and the costs of new technology on the one hand, and pressure on fees from more sophisticated clients on the other, have eaten into margins.

Like other industries under pressure, though, auditors have found new efficiencies in their business, for example, changing approaches to audit work and the use of computers which reduces man-hours spent on auditing, together with better management of staff time: one large firm, Arthur Andersen, reckons that its productivity has increased by 5 per cent a year for the past few years.

Compensating for the declining profits is the higher-value work audit departments bring in for the rest of the firm. According to a recent Price Waterhouse survey, virtually all large companies go to their auditors for tax advice, for instance.

The result has been tougher competition for audit appointments.

One consequence of this is that accountancy firms have had to learn new selling techniques. Most have sent their audit staff on courses to teach them how to make presentations, and now spend large amounts preparing for such beauty parades.

"We were not getting our fair share of the work," says Jenkins of Coopers. In the past year, tidying up the way it sets about making presentations for new work has pushed Coopers' success rate on tenders from one in ten to three in ten, he says.

Getting invited to tender in the first place demands different skills. Most tenders involve only three or four firms. Yet there are eight which claim to offer a full service for multinationals through to USM aspirants, and at least as many more trying to make their names as "alternatives to the Big Eight."

Chloride invited four of the top eight firms to pitch for its audit. Personal contact and word of mouth got the three apart from Coopers onto the list, says finance director Regnier. Coopers' advertising effort is designed to count at this stage, making sure that it at least gets a chance to pitch for the business.

The final selection of an auditor is seldom done on price alone - although price plays an important part. Chloride's experience is typical: all four firms which submitted a tender, including incumbents Coopers, quoted fees of around a quarter less than the existing fee.

Like other companies, Chloride's audit fee was first set in the 1960s and has been "jacked up" in line with inflation ever since, says Regnier. Introducing competition to the selection process breaks this cycle.

More important in the selection process is the service being offered, and it is here that accountancy firms face their biggest challenge: setting themselves apart from the competition.

Andersen succeeded in Chloride's case. It put foward a team with experience of a narrow range of clients but a wide range of skills, says Regnier. Most important among these skills was corporate finance; with plans to list a subsidiary overseas and long-term ambitions to grow by acquisition, Chloride wanted an audit firm which could complement the services of its investment bankers.

The other firms which pitched for the Chloride job offered the same range of skills, but not on the audit team. The company would have been passed between different departments for the same services, says Regnier.

Coopers did not lose out entirely. Chloride plans to use its previous auditors for advice on information technology - ironically, a skill that is widely recognised as Andersen's main strength.

In pursuit of differentiation, accountants are now devising new audit "products". Coopers' advertising effort is being used to promote an audit package which, it claims, puts it ahead of the competition.

Costing around £1m to develop, the new audit approach concentrates on control and management information systems, rather than a client's books of account, says Jenkins. The auditors produce a report on the quality of the systems, assessed against best practice in other companies.

Accounting firms already write to managers pointing out weaknesses uncovered during their audit, though these management letters are hedged around with disclaimers. Jenkins hopes to make his firm's assurances more positive.

"It's more of a change in attitude than a change in job," he says. "In the past we have not used our people sufficiently well. We have tended not to draw out their skills."

Coopers obviously thinks that clients are prepared to pay more for a better service. The new approach will add to audit bills, though "not significantly".

Others have been following the same path. KPMG, the international firm created this year out of the merger of Peat Marwick and KMG, has developed a new audit approach to be followed by its firms internationally (the Coopers approach is confined to Britain). It includes a check on management information systems as an automatic "add-on" at the end of the audit - unlike the Coopers approach, which is built around it.

Price Waterhouse has also been updating its international approach. It estimates that its Audit Guidance Series has cost $10m to develop over the past four years. The latest product of this development process is a totally consistent audit "product" around the world, says Colin Brown, head of audit in the UK.

Firms like PW rely heavily on their international credibility: Brown estimates that the firm relies on multinational or international business, broadly defined, for around 40 per cent of its fees.

But making better use of existing staff, and in the process making auditing more useful, requires a cultural sea change in accounting firms. The traditional rigid training of accountants and the sheer size of audit departments (Coopers has 1,600 auditors in Britain) threaten to hold back the process. Firms have a long way to go before they are able to deliver the level of service they are now promising.

Also, the developments now taking place are largely reactive: accountants have been slow to meet the expectations of their clients, and increased competition is only now forcing them to catch up.

This is borne out by Coopers' willingness to take on the implied risks of offering a wider view on a company than simply the traditional audit report. "We believe that public expectation is such that if you had failed to find substantial problems in a company's systems, you would be liable anyway - though that hasn't been put to the test," says Jenkins.

Purists, meanwhile, worry that getting closer to clients will affect the independence of auditors. The more "value" they provide to a company's management, runs this argument, the less protection there is for shareholders and creditors.

Concerns about audit independence were brought into the open last year by the Department of Trade and Industry when it invited views about how it should implement the EC's eighth company law directive on auditing. Few auditors doubt that threse worries have been totally dispelled.

The danger of a price war also makes accountants uneasy. Cutthroat pricing in the past appears to have been confined to a handful of large assignments, though little information has emerged on these. Accountants claim that taking on an audit at below cost threatens the quality of the work, since the staff used will be below standard and firms will be more interested in what else it can sell to the client.

Whatever the basis for these fears, it looks as though audit fees are set to come under greater pressure in the new round of competition. And for companies like Chloride, that is an entirely good development.

Grant's smaller family affair

Lisa Wood explains how a share buy-in offers the group strategic advantages

AT A TIME of increased takeover activity in the drinks industry, William Grant, the family-owned Scotch whisky distiller, has taken unusual steps to ensure its continuing independence.

William Grant, best known for its Glenfiddich malt whisky brand, is spending £48.5m on buying in some 48 per cent of its own share capital between now and 1992.

Until three years ago such a step would have been illegal. But a change in UK legislation which allowed companies, both public and private, to buy in their shares, opened up the possibility for private family companies to protect themselves - not only from takeover, but also from the punitive effect of death duties which could lead to the break-up of family concerns.

Since Grant was founded in 1887, five generations of the family have spawned some 50 shareholders in the distillery.

The buy-in will result in the number of individual shareholders shrinking to 20; they are also agreeing to articles of association which in effect will preclude them selling out to any potential bidder without first offering their shares to other family shareholders.

William Grant is regularly sounded out by other businesses to see whether or not it is for sale and the buy-in of shares can be seen as a preemptive move should any of the 50 shareholders be tempted by a lucrative offer. Those realising the value of their family holding include a man drummed out of the Foreign Legion and a Harley Street sex therapist.

Defence against possible predators was not the only reason for the buy-in, argues Sandy Grant Gordon, the chairman and chief executive who heads a team which includes several members of the family. For day-to-day guardianship of a family fortune can be more onerous than that imposed upon a chairman of a large public company.

Grant Gordon says: "We are now in a better position to go for innovation and calculated risks because in the main the remaining shareholders are involved in the business. If we take a risk and it goes wrong we are losing our own money."

In its submission to the Inland Revenue, under Section 53 of the 1985 Companies Act, William Grant said: "It has become apparent that there no longer subsists that broad community of interests among the family which is necessary for the continued existence of a family company and the long-term planning of its business and affairs."

Grant Gordon says the opportunity to make the move was provided by the 1985 Companies Act. An additional factor had arisen as a result of the slow-down in growth of the Scotch whisky industry. "Previously," says Grant Gordon, " every penny was spent on financing more and more stock."

Distributors acquired

William Grant, with a pretax profit in 1986 of £15.5m on turnover of £81.4m, has not been a sleepy player in the Scotch whisky industry despite being somewhat of a minnow in an industry dominated by major groups such as Guinness, Allied Lyons, Grand Metropolitan and Seagram.

While the company has not gone out aggressively to acquire other businesses it has sought to protect its distribution by acquiring or taking shareholdings in its distributors, a strategy currently being pursued on a much larger scale by its major competitors.

"We have not got everywhere sewn up," says Grant Gordon, "but we have done a lot."

In developing its core Scotch business it was among the first to push the marketing of malt whisky and Glenfiddich is now the world's leading brand of malt whisky.

Romantic images of Scotland are one vital component in the marketing of Scotch. Grant Gordon reflects that William Grant has never sought to project itself as a family business. But it is a facet of the business that must be a gift for the marketing man.

ARTS

Arts Week

F	S	Su	M	Tu	W	Th
27	28	29	30	1	2	3

Theatre

LONDON

Separation (Hampstead). Powerful sequel to Duet For One by Tom Kempinski using that play as furniture in the transatlantic love story *of a crippled actress and overweight agoraphobic playwright.* David Suchet and Saskia Reeves give all in Michael Attenborough's production (722 9301).

The Rover (Mermaid). Jeremy Irons roisters into town in the RSC's Swan production by John Barton of Aphra Behn's rollicking comedy. It plays in repertoire with the Chernobyl play, **Sarcophagus**, an urgent but clumsily crafted hospital drama set in a terminal radiation clinic as the first victims of the disaster are wheeled in (236 5568/ 638 8891).

A Man For All Seasons (Savoy). Charlton Heston begs no favourable comparison with Paul Scofield as Sir Thomas More in a leaden production of a play best left to amateurs and schoolchildren (836 8888).

Antony and Cleopatra (Olivier). Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life. Judi Dench and Anthony Hopkins are battle-scarred lovers on the brink of old age. Dench is angry, witty and *ultimately moving* (928 2252).

The Phantom of the Opera (Her Majesty's). Spectacular emotionally nourishing new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Dave Willetts has succeeded Michael Crawford as the Phantom (839 2244, CC379 6131/ 240 7200).

The Balcony (Barbican). Sadly dated and heavy-handed opening to the RSC's Genet retrospective, not helping to fight suspicions that the RSC, certainly in London, is stretched way beyond its creative capacities. Terry Hands directs, Farrah's set looks like a cheap pink brothel and the actors, a dull lot, clump around on high boots in big-bulging costumes (628 8795).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. Four new songs, improved book by James Goldman. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good (379 5399).

Melon (Haymarket). Alan Bates predictably good in new Simon Gray, clumsily directed by Christopher Morahan, about a jealous publisher viewed in flashback from a psychiatric ward after a breakdown. Menopausal mutterings; not vintage Gray (930 9832).

Serious Money (Wyndham's). Transfer from *Royal* Court of Caryl Churchill's slick City comedy *for* champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and livid, but new cast deemed less good (836 3028, CC 379 6585).

A Small Family Business (Olivier). Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale (928 2252).

NETHERLANDS

Amsterdam: Garden Hotel Theatre. Lord Greystoke Productions presents The Woolgatherer, a modern comedy by William Mastrosimone directed by John Hartnett (Wed to Sat) (64 21 21).

NEW YORK

Fences (46th Street). August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings (221-1211).

Cats (Winter Garden). Still a sellout, Trevor Nunn's production of T.S. Eliot's children' poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and over-blown idea of theatricality (239 6262).

42nd Street (Majestic). An immodest celebration of the heyday of Broadway in the 1930s incorporates gems from the original film, like Shuffle Off To Buffalo, with the appropriately brash and leggy hoofing by a large chorus line (977 9020).

A Chorus Line (Shubert). The longest running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

La Cage aux Folles (Palace). With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages barely to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers (757 2626).

I'm Not Rappaport (Booth). The Tony's best play of 1986 won on the strength of its work-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match (239 6200).

Les Miserables (Broadway). Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. But it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British (947 0033).

The Mahabharata (BAM Majestic). Peter Brook's nine-hour interpretation of the world's longest poem inspired the refurbishment of an old Brooklyn vaudeville theatre to *accommodate it for* a three-month stay as part of the Brooklyn Academy of Music's New Wave Festival. Ends Jan 3 (947 5850).

TOKYO

Noh. Performances are usually at weekends. Details in Tokyo English dailies and tour companion available at hotels. Two handy little books, A Guide To Noh and Guide To Kyogen from most hotel bookstores and at some theatres give summaries of plots. The introductory essays by Japan specialist Donald Richie provide the essential background and flavour.

Kabuki (Kabuki-za). The matinee (11am) features a pot-pourri of short items. The afternoon performance at 4pm has a "new" play incorporating elements from existing dramas and is based on the story of the 47 loyal retainers adapted, directed by and starring Kabuki's greatest showman, Enosuke, a specialist in spectacular stunts and quick-change routines. For novices, one play may be enough. Buy a third floor ticket because, with poor sightlines and no English earphone guide, the one-act ticket for the fourth floor is not good value, Kabuki-za, Ginza (541 3131). Ends Dec 25.

Bunraku (National Theatre). The puppet theatre is one of Japan's most refined art forms. Each doll has three operators who remain onstage, in full view of the audience throughout. Their presence is soon forgotten, however, as the narrator, accompanied by shamisen music, unfolds the story. The Osaka-based Bunraku Company only visit Tokyo twice a year. This performance includes Kiichihogen Sanryaku-kan, and is about a warrior whose betrayal of his master culminates in ritual suicide. Earphone commentary in English. (265 7411). Ends Dec 20.

Starlight Express: Andrew Lloyd Webber's London and New York smash hit arrives in Tokyo as part of a world tour. Inspired by Thomas the Tank Engine stories, the thin plot involves a race among the world's top trains, including Japan's bullet-train. More a sporting than a musical event, the producer's dream of an arena seating 10,000 is exactly right. National Yoyogi (former Olympic) Stadium, Harajuku (269 1166). Ends Dec 11.

Exhibitions

LONDON

Tate Gallery. Turner in the new Clore Gallery: the Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissent ever since it came into the British nation's hands more than 130 years ago. Turner always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal walls Stirling has decreed for the principal galleries is a far cry from the rich plum Turner is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan.

PARIS

Petit Palais, Ave Winston Churchill; **Musee d'Art Moderne de la Ville de Paris,** Ave President Wilson. Five Centuries of Spanish Art. An ambitious ensemble of four exhibitions retraces the history of Spanish art from the Golden Age to today. The two most important exhibitions are El Greco To Picasso at the Petit Palais and Picasso's Century at the Musee d'Art Moderne. In the Petit Palais is El Greco with a vast visionary Baptism of Christ, Velasquez with a portrait of Philippe IV in his hunting clothes, and Goya with a portrait of Marie-Louise in a black-lace mantilla. Picasso's Century is dominated by the master, from the period of analytic cubism to 20 preparatory sketches for Guernica and to his last works. There are also works by Juan Gris, and Miro, Dali and Tapies. Both exhibitions are closed on Mondays and both end on Jan 3.

Grand Palais. The first retrospective of Fragonard, in collaboration with the Metropolitan Museum, New York, has about 100 paintings and as many drawings celebrating the artist's love of beauty in which he saw a manifestation of "nature's perfect health". The depth of observation in his Roman landscapes, mythological scenes and portraits counterbalances the decorative facility of the Scenes Galantes so typical of the 18th century. Ends Jan 4.

Galerie d'Art Saint-Honore. Landscape in the Flemish and Dutch Schools. Light and colour change but the painter's pleasure in recording them never varies. The Brueghel Dynasty, the Bredael Brothers and Charles Beschey are represented in paintings on copper plates or wooden panels of unassuming proportions but in all the perfection of their art. 267 Rue Saint-Honore (42601503). Ends Dec 4.

Musee des Arts Decoratifs. A King's Table has some 400 pieces of 18th century silversmith's work from the court of Denmark conjure up the glitter and magnificence of the Service a la Francaise. For the kings of Denmark, as for the rest of Europe, Versailles represented the ideal court setting and they ordered tureen and service dishes, cutlery and candlesticks from the greatest of Parisian silversmiths. The ensemble is made even more precious by the disappearance of the French Royal collections, melted down repeatedly to pay for ruinous wars and at the approach of the Revolution. 107 Rue de Rivoli (42603214). Closed Mon and Tue. Ends Jan 3.

Musee Picasso. Coinciding with the publication of a catalogue of Picasso's drawings belonging to the Paris Museum, an exhibition of 136 drawings retraces the panorama of the artist's creation. There is his early work of academic perfection confronted with daring shortcuts preparing cubism. The period of Les Demoiselles D'Avignon is evoked by a drawing representing friendship, while portraits of Dora Maar and Jacqueline in the atelier return to a more classical conception. The violence of the minotaur and of the crucifixion images is followed by variations on Femmes d'Alder. Finally there is his uncompromising, moving reaction to the approach of old age and death. (427 12521). Closed Tue. Ends Jan 4.

Galerie Daniel Malingue. Maitres Impressionistes et Modernes. From Pissarro's Road to Louveciennes with vast trees throwing shadows across the road to Fautrier's blue paint thickly laid on in an abstract composition, from Monet's orgy of pinks, mauves and greens in a House among roses reminiscent of his Nympheas to the geometrically-shattered pale yellow and off-white suface of Vieira da Silva, the inspiration changes as does the entire concept of art. There is also a Gauguin with pastel-coloured skies in a Tahiti landscape, a strongly-coloured, strongly delineated vase with lilac by Braque and a remarkable pastel of a bourgeoise and her maid by Zandomeneghi. 26 Ave Matignon (42666053). Ends Dec 19.

WEST GERMANY

Munich. Staatsgalerie Moderner Kunst shows sculpture from East Germany. A result of the cultural agreement of May 1986 between East and West Germany, this exhibition covers four decades in 130 sculptures, some larger than life, and about 80 paintings of sculptures by 51 artists. It offers a view of graphic works that have not even been seen in East Germany before. Among the artists are Gustav Seitz, Fritz Cremer, Werner Stotzer, Hermann Glockner, Waldeman and Sabine Grzimek, Ingeborg Hunzinger and Franziska Lobeck. Ends Jan 3. Mannheim Stadtische Kunsthalle from Jan 23 to Feb 21.

Baden-Baden Kunsthalle. Carlo Carra: the first German retrospective of the Italian artist who was one of the initiators of futurism. His artistic life underwent dramatic change when he met de Chirico. Lichtentaler Allee 8a. Ends Dec 6.

ITALY

Rome, Villa Medici (French Academy). Picasso - the last years (1968-1973). The French Academy, proprietorial as ever towards the greatest of modern artists, has mounted a riveting exhibition of etchings, drawings and oils mostly from the last five years of Picasso's life. Having practically never been ill, an 84 year-old Picasso had to undergo a serious operation towards the end of 1965. During the following year of convalescence, it seems that he brooded, not only about his health but about having lost his verve and creativity. He need not have worried. The exhibition is so full of energy, invention and surprise as to be exhausting. The starting point of 1968 is chosen as the year in which Picasso began the first of his last two major series of engravings, known as the 347 Gravures. Many of are on show and alongside these and many of the drawings have been thoughtfully placed photographic reproductions of works by Ingres, Poussin, Rembrandt, Goya and Manet which must have been at the back of his mind as he worked. Ends Jan 12.

Milan, Palazzo Reale. Eighteenth Century Italian landscapes from private collections organised by the equivalent of the British National Trust, the Fondo Ambiente Italiano. The exhibition includes 70 delightful landscape paintings, divided into three major groups or schools - the Roman (Van Wittel and Hendrik-Frans Van Lint), the Venetian (Canaletto, Bellotto, Guardi) and the Neapolitan (Joli, Bonavia, Tommaso Ruiz and Pietro Antoniani. Ends Jan 17.

NETHERLANDS

Rotterdam, Prins Hendrik Maritime Museum. Art as camouflage, or camouflage as art? The startling 'applied vorticism' of marine dazzle painting developed in the First World War by Norman Wilkinson to deceive the enemy as to a ship's real position and course. Ends Dec 6.

Art Institute. 48 key Impressionist and Post-Impressionist works from the Courtauld collection tour America with paintings by Cezanne, Manet, Renoir, Seurat and Gauguin. Ends Jan 3.

Amsterdam, Rijksmuseum Printroom. As a pendant to the survey of landscape painting in the main galleries, the printroom is showing a fine selection of 100 17th century drawings devoted to the theme of Land and Water. Ends Jan 3.

Amsterdam, Historical Museum. Contemporary photographs, utensils, menus and registers chart the rise and heyday of Amsterdam's grand hotels from 1860 to 1914. Ends Jan 17.

Amsterdam, Rijksmuseum. A sweeping view of 17th-century Dutch landscape painting, with more than 100 works by over 50 artists tracing the development of the genre and its offshoots from the dense creations of Vinckboons and Savery via the chilly winters of Avercamp, the tranquillity of Ruysdael, the golden light of Cuyp, the towering cloudscapes of Ruisdael, to the wooded scenes of Hobbema. Ends Jan 3.

Leiden, Rijksmuseum voor Oudheden. Manuscripts, books and maps spanning 1,000 years of scientific imagination and knowledge. Ends Jan 17.

SPAIN

Madrid. Mark Rothko 1903-1970 includes 54 works by North American artist of Russian origin grouped with de Kooning and Pollack. This show was seen recently at the Tate in London. Fundacion Juan March, Castello 77. Ends Jan 3.

NEW YORK

Metropolitan Museum. 200 objects from the Age of Sultan Suleyman the Magnificent demonstrate the wealth and skills at the high point of the Ottoman empire in the sixteenth century through the large selection of illuminated manuscripts, imperial wardrobe, ceramics and jewel-encrusted weapons. Ends Jan 17.

Center for African Art. Angles on African Art features ten co-curators, ranging from an African tribesman to collector David Rockefeller, each of whom chose ten of their favourite pieces, making a well-rounded and diverse show. Other curators are writer James Baldwin, artists Nancy Graves and Romare Bearden and curator William Rubin. Ends Jan 3.

Jan Kreugier Gallery. This new gallery is inaugurated with 60 cubist works by Picasso from the Marina Picasso Collection with two decades of paintings, drawings, sketchbooks, collages and prints from 1907 to 1926. Ends Dec 10. 41 E. 57th, 6th floor.

WASHINGTON

National Gallery. A Century of Modern Sculputre. The Patsy and Raymond Nasher Collection contains major works by Rodin, Picasso, Matisse, Gabo, Giacometti, Ernst, Moore and Serra. Ends Jan 3.

TOKYO

Azabu Museum. Edo Pastimes. This exhibition of screens, scrolls and paintings with works by courtesans in the old Yoshiwara Pleasure Quarters evoke the colourful leisure pursuits of pre-workaholic Japan. Ends Dec 25. Closed Mondays.

Music

PARIS

Les Musiciens Amoureux. Tchaikovsky, Mussorgsky,Shostakovitch (Mon). Comedie des Champs Elysees (47203637).

Orchestre National d'Ile de France. Gala evening for the Concours Long/Thibaud (Mon). Theatre des Champs Elysees (47203637).

Ensemble Orchestral de Paris conducted by Wolfgang Doerner. Stephen Bishop Kovacevich, Piano: Michael Haydn, Beethoven, Dietmar Schermann, Haydn (Tue). Salle Pleyel (45630796).

Jessye Norman recital. Geoffrey Parsons, piano (Tue). Theatre des Champs Elysees (47203637).

Jean-Marc Luisada. Schumann, Faure, Chopin, Shinji Urakabe (Wed). Theatre des Champs Elysees (47203637).

Orchestre de Paris conducted by Jeffrey Tate, Mitsuko Uchida, Piano: Wagner, Bartok, Dvorak (Wed, Thur). Salle Pleyel (45630796).

Alexis Weissenberg, Piano. Schubert, Rachmaninov (Thur). Theatre des Champs Elysees (47203637).

ITALY

Milan, Chiesa di S Simpliciano. The Voci Bianche of La Scala singing Palestrina, Mozart and Benjamin Britten's A Ceremony of Carols conducted by Gerhard Schmidt Gaden (Mon) (80 91 26).

Rome, Auditorium in Via Della Conciliazione. Eleazar de Carvalho conducting Weber's 2nd piano concerto, with pianist Lya de Barberiis, and Villa Lobos (Mon, and Tue). (6541044).

Bologna, Teatro Comunale. Vladimir Redoseev conducting Ibert and Giacomo Manzoni and Tchaikovsky (Tue). (529999).

TOKYO

Tokyo Bunka Vienna String Quartet, Mozart, Beethoven. Kaikan Recital Hall. (Mon) (498 5890).

Tokyo Akademiker Ensemble, Vivaldi, Porpora, Schubert. Tokyo Bunka Kaikan Recital Hall. (Wed) (263 4388).

Slovak Philharmonic Orchestra, Smetana and Dvorak. Hitomi Hall, Showa Women's College, Sangenjaya. (Tue) (237 9990).

Sankryoku Ensemble for koto (harp), shamisen (banjo) and shakuhachi (bamboo flute) plays contemporary works for traditional Japanese instruments. Vario Hall, Suidobashi, near Tokyo University. (Mon) (818 4151).

New Japan Philharmonic Orchestra conducted by Masaaki Inoue. Roussel, Gershwin, Villa Lobos, Ravel. Tokyo Bunka Kaikan. (Tue) (499 1531).

Continued on Page 23

Cinema/Nigel Andrews

Different views of the veldt

Cry Freedom (PG) Empire
Kitchen Toto (15) Cannons Premiere, Haymarket and Tottenham Court Road
Inner Space (PG) Warner West End
Best Seller (18) Leicester Square Theatre

A Sir Richard Attenborough film is a thing apart. Like its maker's own face, that mutton-whiskered moon beaming with bonhomie, it is lustrous with good intentions. Whether damning military mismanagement in *Oh What A Lovely War* or hymning the glories of non-violence in *Gandhi* or serenading the showbiz spirit in *A Chorus Line*, Sir Richard and his movies stand up and are counted.

As the Press notes for his new film *Cry Freedom* remind us, Sir Richard stood up and was counted when South Africa tried to premiere *Gandhi* to a segregated audience. "No," said Sir Richard. "Mixed audiences or nothing," he insisted (after, the Press notes fail to remind us, a little prompting from Equity). Now Sir R has stood up once more for racial equality. His 2½-hour film about the African "black consciousness" leader Steve Biko, and the friendship and later flight of white liberal newspaper-editor Donald Woods, unfolds with all the panoply and gleaming earnestness of *Gandhi*.

Readers may recall that the last-named was not among my ten favourite films of all time. For all its worthiness of aim, it seemed an experience equivalent to being held face-down by the combined might of Goldcrest and Columbia pictures while a 16-million-dollar sermon was preached at one. The chief reason the film was as long as it was is that every action had to have an equal and platitudinous reaction. It was not enough for the words and deeds of Ben Kingsley's Mahatma to speak for themselves. We had to have crowds rhubarbing, reporters note-taking, Nehrus nodding and stellar guest stars brought on - from Martin Sheen to Candice Bergen - to show that Hollywood too was right behind Sir Dickie's hagiographic thrust.

Cry Freedom is the mixture as before, but, at least in its later scenes, more enjoyably stirred. We know we are in for a Sunday School sermon about apartheid before we go, but happily the sermon stops after 80-odd minutes. At this point Steve Biko dies, and the movie's processed political torments with him. Thereafter we swing into the simpler but merrier postscript of Donald Woods's escape. Camouflaged in black-dyed hair and a priest's frock, Kevin Kline as Woods (a controlled and excellent performance) charges across the veldt in a variety of vehicles, finally nipping over the border into Lesotho.

The Boy's Own capers of this section remind us that Attenborough can be a grand choreographer of simple heroics (cf. *Young Winston*). It is when he gives us simple ethics and simple politics that dismay occurs. We first glimpse Biko (Denzel Washington) backlist with a halo of sunlight, as he stands - mysterious, majestic - under a willow tree. Soon Saint Steven is winning over our Mr Woods with his gentle integrity and quiet approach to revolution. He preaches nonviolent protest to a crowd in a football stadium. He shows Donald the shanty horror of a poor township. (Has the liberal Donald not visited one before?). And in Washington's performance he flashes soft eyes, suasive manners and handsome, whiter-than-white teeth.

In case we fail to get the point of all this imagery - Biko good, South African government bad - a series of stalwart British actors are wheeled on to screw up their faces and snarl out Afrikaans accents as police chiefs (Timothy West) or ministers (John Thaw). These characters - indeed nearly all the main characters - speak by thrusting their faces at the camera in close-up, so that the movie often resembles one of those parodic Fellini sequences in which giant physiognomies loom out at the passing camera, one by one, like anxious ships out of fog.

Penelope Wilton, Spring Stuart-Walker and Kevin Kline in "Cry Freedom"

It is all, of course - but then so is a lot of bad art - in a worthy cause. I would be happy to join hands with Sir Dickie at any given anti-apartheid occasion. But great movies are not made by spending great quantities of money dramatising greatly obvious causes. That apartheid is evil is consented to today almost as widely as that Nazism was wicked or that the earth is round. As a result, it is potentially as lifeless a theme for the filmmaker. *Cry Freedom* would have had far more charge as a title, and far more life as a movie, if it had taken a truly neglected theatre of injustice - like Russia or Cuba or parts of South America - and made its call for freedom the first cry in a virtual wilderness instead of the umpteenth in an ideological cattle-market.

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As a picture of black-white struggles in post-colonial Africa, Harry Hook's *Kitchen Toto* has all the particularity and freedom-from-platitude that Attenborough's film lacks. Place Kenya. Time: 1950. Subject: the Mau-Mau uprisings, as seen through the wide eyes and divided loyalties of Mwangi (Edwin Mahinda), a black kitchen boy. Untimely ripped from his Kikuyu parents, who were murdered by their own tribespeople, he now pads about in the service of British policeman Bob Peck and his uptight wife Phyllis Logan. Which side will he be on when the natives' knives, currently distracted by plunging into each other, start whetting themselves on white victims?

Unlike *Cry Freedom*, there are no facile signposts here. Early sympathy with the harassed white family - he doing his benevolent-colonial number, she sitting tense over her knitting as if it were therapeutic acupuncture for the soul - palls in the face of their political myopia and their delinquent neo-Nazi son. (His favourite hobbies are peppering Mwangi with an airgun and disembowelling snakes). Meanwhile the blacks are gripped by an independence fever that, however laudable in motive, is grotesquely brutal in means.

Mwangi's big-eyed, mouth-agape face is the only possible sane reaction to the gathering chaos. British writer-director Hook, himself brought up in Africa, captures the boy's awful innocence and awful vulnerability. One moment he is marvelling at the world of the Anglo-Saxon mod con: "Is it for washing the baby?," he asks on first seeing a lavatory. The next, he is spirited into self-confrontation when the Kikuyus abduct him for a grisly loyalty oath.

Panning for gold in the stream of history, debut film-maker Hook finds a few unconvertible pebbles of naivety. (The minor characters, both white and black, are merely crudely sketched than the major.) But his storytelling flair is glittering and powerful.

*

"Inner Space" has glitter too: but it is that of tinsel rather than gold. Directed by Joe "Gremlins" Dante for Steven Spielberg, this sci-fi comedy-adventure is like a lift-ride through the department store of modern movie fantasy.

First floor: Daft but entertaining plot premise. Over-the-top air ace Dennis Quaid agrees to be miniaturised for a scientific experiment. Then, in an emergency too far-fetched to explain, he and his tiny "space capsule" are injected into the rear quarters of unsuspecting wimp Martin Short (late of *Three Amigos*).

Second floor: The plot proper. Can the bad scientists get to Quaid before the good ones? Can Quaid survive inside Short? Can Short survive outside Quaid? Third floor: Wacky comedy development. Quaid experiences all Short's experiences at miniaturised second-hand. He holds a flask out to grab some of Short's whisky swallows, he prompts Short's love-making attempts by radio-messaging his ear, he - and so on.

Fourth floor: Trick photography. Marvel at the miniaturisation scenes! Thrill as Quaid's capsule shoots the rapids in Short's stomach and bloodstream!

Fifth floor: Serious themes for mature adults. Closed for re-decoration.

Dante enjoys himself hugely in the early scenes - and so do we - as the momentum of cheery implausibility gets under way. But as the tale goes onward and upwards, it runs increasingly out of sense, purpose and oxygen. You come out humming the Special FX.

*

Best Seller is likewise ephemeral: an American crime thriller with built-in obsolescence. This one obsolesces while you watch. Cop-turned-writer Brian Dennehy meets hit-man-turned-stoolpigeon James Woods. Woods says to Dennehy, I can sell you priceless dirt on famous Mafia boss. Dennehy says, Prove it. And the consequence is, they gallivant all over America passing through adventures that seem like reject vignettes from TV crime thrillers. John Flynn directs. Woods and Dennehy deserve better.

Panocha Quartet/Wigmore Hall

Andrew Clements

The sound of the Panocha Quartet is small but perfectly formed. It represents a fine advertisement for the discipline and rigour of the Czech school of string playing - the grooming is immaculate, yet not at all brilliantined, and every element of the music is handled with exemplary tact. It is all, though, just a bit too tasteful, and before too long one would happily trade a flurry of dubious intonation or a bottom-heavy texture for the sake of a phrase that really attempted to wring out some expressive juice.

Even a work as classically elegant and well-mannered as the first of Beethoven's Op.18 set revealed emotional limitations as early as the first-movement development, and was quite critically underpowered in the great spans of the Adagio; the scherzo, however, all light-fingered subtlety, suited the Panocha's style to a tee, just as surely as the bulk of Schubert's A minor Quartet D.804 did not. Compressing the emotional range of that work did severest violence to the first and third movements, both of them shorn of the aching nostalgia that underpins the entire structure; but the set of *Rosamunde* variations was fastidiously enchained, and the finale was nimbly note-perfect, yet curiously joyless.

Michael Collins's unfailingly suave and supple clarinet playing might have proved too much of a good thing in such a context. Yet in Brahms's Clarinet Quintet, which could well have encouraged mellow, recollected passion rather than direct emotional responses, the combination proved unexpectedly potent. With Collins probing and inventing in a totally convincing and idiomatic way the Panocha's playing suddenly acquired an element of fibre and quiet fire, suggesting a further dimension to their music-making that might otherwise have gone totally unsuspected.

Waiting for Godot/Lyttelton

Michael Coveney

It may not be your average Philistine's idea of "a good night out" but the durability of *Waiting for Godot* as a classic statement of theatrical enterprise and a fine comic text in its own right is now indisputable. Which fact leads to respectful, decent productions like Michael Rudman's for the National Theatre in the Lyttelton.

That may sound unduly harsh, for there are a couple of outstanding performances here from Alec McCowen as Vladimir and John Alderton as Estragon. But the dominant tone is reverential. We could be in church.

We are certainly still near a knobbly tree, but designer William Dudley makes the country road a traverse of tarmac, a B route smitten by a broken white line that evaporates in a painted haze. The road forms the brow of an awkwardly negotiated mound, a transparently polystyrene confection that echoes with footsteps and is decorated with curious black veins.

The falling over bits are helped *no* end by this mound. Colin Welland's Pozzo rolls down it like a beached whale, and the tramps are suspended there in new postures of horizontal immobility. Two ground level boulders are made of a similar sophisticated plastic. One begins to worry too much about where we actually are in this state of ideal homelessness. Godot's boy messenger (Simon Privett or Simon Doe) obviously spends less time with goats than he does clocking on at the local prep school.

The contemporary legacy of Beckett includes the work of Robert Wilson, and it is instructive that this production is impervious to such development. Repetition with variation, asymmetrical scene structures, and an exploration of inactive tension have acquired new post-Beckettian theatrical language. The director states confidently in the programme that only a production rooted in naturalism will work in Britain. Such timidity is a besetting sin of our cultural monoliths.

This version does indeed work, though not with the ineffable mathematical precision of Beckett's own Schiller Theatre production in 1975, nor with the joyous vaudevillian goonery of Ken Campbell's 1982 Young Vic revival. It shows us men on the brink, *not* relaxing in the void as Max Wall did for the Royal Exchange, Manchester, in 1980.

McCowen's Vladimir is the nearest I've seen to an optimistic nihilist, awaiting the chance to spring a routine on us by staying on physical alert, bouncing around on his toes all evening. He skips and scuffles, creating constant diversion with bright, dry anecdotage. I felt for the first time that this play is about how we extricate ourselves from rooms, from conversations, from life. Passing the time and getting from one paragraph, or day, to the next, is what we all face.

John Alderton and Alec McCowen Alastair Muir

There is not a chink of embarrassment about the playing of John Alderton, a wonderfully lumpen, tortured Estragon, who greets Pozzo's declaration that he must have left his watch at the manor on his Steinway (a line I cannot believe not noticing before) with wrinkled, nodding sympathy. Pressed in with his realisation that there is no lack of void, Alderton's begrimed prisoner with blackened feet, is a hostage to Vladimir's nimble, nervous ratiocination. This is a superb performance, original, grainy, and above all, very funny.

Colin Welland's Pozzo, in rust astrakhan coat, bright yellow socks and fine trilby, is like a bullish chairman of a football club, gloating and decisive. His second act blind acquisition of knowledge is stirringly done without hinting at Lear.

In a play of memory games and nostalgic tricks, the Marx Brothers hat sequence is tentatively done, as if in a mirror, without flourish. Peter Wight is a splendid Lucky, a man jolted from his past into slavery and quite palpably a former dab hand both in the intellectual salons and on the Connemara tennis court. He above all reminds you that this inexhaustibly fascinating play is poised between two great Joycean comic novels of the late 1940s. Its performance history is bound up, misleadingly, with the French absurdism of the following decade.

Anyuta and Swan Lake/Riga Ballet Opera, Rome

Freda Pitt

It was (unofficially) Russian week in Rome in late November, opening with Rimsky-Korsakov's *The Tsar's Bride* at the Opera House (Galina Vishnevskaya's Washington production, conducted by Mstislav Rostropovich) and closing triumphantly with the visit of the Riga Opera Ballet and, at the Teatro Argentina, Nikita Michalkov's reworking of his film based on Chekhov's *Platonov*, marking Marcello Mastroianni's return to the stage.

The Latvian Company is touring Italy with two productions, *Swan Lake* and Vladimir Vasiliev's *Anyuta*. When the latter was first performed, at the San Carlo Opera House in Naples two years ago, it was Vasiliev's electrifying transformation into the shambling, beaten, drunken father that struck me - not only because of the power of his performance, but also because it was his first appearence in a role with hardly any dancing.

On a second viewing, while Vasiliev's interpretation lost nothing in magisterial quality, it was his wife Ekaterina Maximova's performance as his beautiful, charming but flighty daughter Anyuta that held me so spellbound.

Together, they made the evening a truly life-enhancing one. Maximova is one of those rare artists who dance with their whole being, so that every, perfect, movement is meaningful and right. Almost unrecognisable in spectacles, and with a squashed black hat on his untidy grey wig, Vasiliev partnered her selflessly in the ball scene.

With crowd scenes as filler, the ballet is largely made up of *pas de deux*. Apart from Vasiliev, Maximova had four other splendid dancer-partners: Alexander Rumyanzev as her quickly discarded student lover, Germady Gorbanyov as her rich admirer Artynov, Vasil Bayars as "His Excellency" and that extraordinary young artist Arturs Bluks as her ruthlessly caricatured bureaucrat husband.

It was difficult to believe the follwing evening that the slight figure of the Jester in *Swan Lake* belonged to the same person as the paunchy, smirking, grotesque social climber, modest Alexeyevich. In the conception of Alexander Lemberg, Director-Choreographer of the Riga Opera Ballet, the Jester is so insistently and actively present in Acts 1 and 3 that if the role were taken by anyone less gifted and less likeable than Bluks, his intrusiveness would arouse serious antagonism.

Gorsdy has much to answer for in having invented this irritatingly superfluous role, so persistently retained in all Soviet productions no matter what other changes they introduce. However, the Riga Group seems to possess not only the suppleness of body that ensures great technical facility (they come, after all, from the school that nurtured Mikhail Baryshnikov and Maris Liepa), but also exceptional expressiveness. Their evident joy in dancing was communicated to the audience in both works.

If they had not been forced to appear on the cramping stage of Teatro Brancaccio, their and our joy would undoubtedly have been increased. It is demeaning that they should have to reduce the number of Swan Maidens to twenty, and that for technical reasons the vision of Odette should be omitted from Act 3. To judge from the tape, the Riga Opera has an admirable orchestra, the string and wind sections being particularly fine. The too-brief "tutus" for the Swan Maidens do *not* flatter the dancers with short legs and plumpish thighs, while in Acts 1 and 3 the costumes designed by Aldor Renter are too often perversely long, almost hiding the feet, which in this company are invariably neat and strong.

Inese Dumpe, young, tiny and very pretty, could not equal memories of the company's star ballerina, Lita Beyris, but she nevertheless made a touchingly fragile, troubled and tender Odette and a credible enchantress as Odile. Apart from the uneven *fouettes*, her performance had no technical faults. It is not possible to pass other than a tentative judgement on Viesturs Yansons' Siegfried because his long legs require space, which in Rome was denied him. Tall and good-looking, he has an aptly romantic stance, which Lemberg over-exploits in the too many frozen poses, with arms outstretched. But he is a stalwart partner and a very good, if not spectacular, dancer.

In the supporting roles, Gunta Balinya stood out in the *pas de trois*, and as one of the leading Swans, and Maris Korystin made a gratifyingly believable middle-aged tutor.

Kagel/Elizabeth Hall

Dominic Gill

Another Contemporary Music Network tour set out from London on Tuesday night. This one was played by the Ensemble Modern from Cologne, and was devoted to the work of the German-Argentinian composer Mauricio Kagel, conducted by Kagel himself.

In the past 20 years I have written about – returned to, puzzled and argued over, delighted in – the subject of Kagel on this page in at least a score of reviews. If Kagel were a wine, he would be one of those curious vintages, admired by many, loved by a few, which are labelled as an "acquired taste." The taste for Kagel, like that that of the oddball vintage, is difficult to communicate. It gets to you, or it doesn't; you like it, or you don't. The effect, or its absence, is virtually instantaneous, and has remarkable energy and clarity.

When you are on the Kagel wavelength, it is difficult to imagine that *Käntrimusik*, for example, which opened Tuesday's programme, could present the slightest problem to any listener: an amazing magic scrapbook, fantastick barrel-organ, alive rather than mechanical, heard through the surreal filter of the most delicate and luxuriant dream. Every manner of music is there: baroque, pop, liturgical, folk, symphony-orchestral, string quartet, Musak, high-romantic, primitive, free-form, strictly notated, tonal, atonal – Kagel's universe embraces the most probable and most improbable with equal ease.

I was shocked to discover that he has emasculated *Finale* – that lunatic essay in offbeat, oddball music-theatre which is supposed to end with the conductor (who is by preference the composer himself) lying apparently and visibly lifeless on the podium. In this touring version, prepared one must assume for the exigencies of politer family consumption, no one falls dead, or even stumbles; at the end the conductor merely bows and walks away. What can one say? – Bowdler is alive and well and living in South America? Five Pieces for Jazz Ensemble from *RRRRRRR*, abstracted from a collection of short pieces first presented at Donaueschingen five years ago, have not been Bowdlerised, and are pure Kagel magic, though tantalisingly brief.

The Network tour travels tonight to Cardiff, and thence to Durham, Liverpool and Cambridge. If one or two lost souls are found wandering in those towns at midnight over the next few days, mumbling to themselves about nonsense and miracles, I trust the local police will understand.

Arts Guide

November 27 - December 3

Continued from Page 22

Opera and ballet

LONDON

Covent Garden. Royal Opera. Eva Marton gives her first London Tosca in the current revival, with Peter Dvorsky (Cavaradossi) and Ingvar Wixell (Scarpia). Guiseppe Sinopoli conducts. Final performance of the new production by Elijah Moshinsky of Mozart's Entfuehrung, a messy, friendly show unevenly sung (Kurt Moll's Osmin outstanding) and rather briskly conducted by Georg Solti. (240 1066).

Coliseum. English National Opera with more performances of two Jonathan Miller productions – the final run of the famous Mafia-style Rigoletto modernisation, in excellent form, and the new Barber of Seville, with Della Jones and Alan Opie, conducted by Mark Elder. (836 3161).

PARIS

Paris Opera. Norma alternates with Macbeth.

Theatre de la Ville. Monnier-Duroure's Mort de Rire, where ridicule tries to exorcise the terror of death. (42742277).

Forum of the Centre Georges Pompidou. Valis, a multi-disciplinary opera by Tod Machover and Catherine Ikam based on science fiction, uses the latest technology in transformations of sound and image. (42771233, Ext 4843).

WEST GERMANY

Berlin, Deutsche Oper. Turandot in Gotz Friedrich's production features Linda Kelm, Maria Teresa Reinoso and Peter Gougaloff. Tannhaeuser has a strong cast with Janis Martin, Spas Wenkoff and Andreas Schmidt. Madame Butterfly has Raina Kabaivanska, Giorgio Merighi and Yoko Nomura. Also Oedipus, composed for the Berlin Opera by Wolfgang Rihm and Katja Kabanowa. (34381).

Hamburg, Staatsoper. Il Trovatore stars Natalia Troitskaya, Fiorenza Cossotto and Wolfgang Brendel. Le Nozze di Figaro is a joint project between Hamburg and Salzburg Mozarteum, with a cast that includes Linda Plech, Deborah Massell, Ralph Houston and Peter Galliard. Die Verkaufte Braut has fine interpretations by Linda Plech, Dieter Weller and Kurt Moll. Carmen, sung in French, takes the leads Ruza Baldani, Rachel Joselson and Harald Stamm. Der Fliegende Hollaender rounds off the programme. (351151).

Cologne, Opera. Hellen Kwon leads a strong cast in The Magic Flute. Die Meistersinger von Nurnberg, conducted by Peter Schneider, has Nadine Secunde, Bernd Weikl, Robert Ilosfalvy and Georg Volker in the main parts. Also in repertory are Hansel und Gretel, Tannhaeuser and Eine Florentinische Tragodie/Gianni Schicchi. (20761).

Stuttgart, Wuerttembergisches Staatstheater. Madame Butterfly has Awilda Verdejo, Nancy Shade and Michael Sylvester. Die Entfuehrung aus dem Serail features Tomoko Nakamura, Yasuko Kozaki and Helmut Berger Tuna. Hansel und Gretel is again added to the programme. (20321).

Munich, Bayeriche Statsoper. Gotterdaemmerung, produced by Nikolaus Lehnhoff, stars Ute Vinzing, Lisbeth Balslev, Cornelia Wulkopf, Rene Kollo and Martti Salminen. Macbeth will be conducted by Guiseppe Patane. The week's highlight is Cardillac with Maria de Francesca-Cavazza, Doris Soffel, Donald McIntyre and Norbert Schund. (21851).

ITALY

Rome, Teatro dell'Opera. Rimsky-Korsakov's La Sposa Dello Zar conducted by Mstislav Rostropovich and directed by his wife, Galina Visnevskaia, with scenery and costumes by Zack Brown. In the cast are Lajos Miller, Stevka Mineva, Dimiter Petkov, Vjaceslav Polozov and Sylvie Valaire. (46 17 55).

Florence, Teatro Communale. Zeffirelli's production of La Boheme is conducted by Carlos Kleiber. (2779236).

Bologna, Teatro Comunale. New and somewhat eccentric production of Das Rheingold, excellently sung (in German) by Hermann Becht, Anne Gjevang, James Johnson, Helmut Pampuch and Hermann Winkler. Peter Schneider conducts. (529999).

Naples, Teatro San Carlo. Donizetti's Roberto Devereux (composed for the San Carlo and first performed here on 29 October, 1837), with Katia Ricciarelli, Alberto Cupido and Martha Senn, conducted by Gustav Kuhn. (417144).

Naples, Teatro Olimpico. Pilobolus Dance Theatre of New York in Bonsai, Televisitation, Ocellus and Carmina Burana. (333304).

Saleroom/Antony Thorncroft

Books make the money

One of the earliest books to be written about the Stock Exchange, suitably entitled "Confusion de Confusiones," by Jose Vega, and published in Amsterdam in 1688, sold for £16,500 at Sotheby's yesterday. There are only six copies of the first edition of this work known which helps to explain a selling price which was way above the £2,000 top estimate.

Vega was a Portuguese Jew who lived in Antwerp and wrote philosophical works. He also had a commercial side, and speculated on the Amsterdam Stock Exchange losing and winning back five fortunes. His book describes many practices that have survived for three hundred years, such as share options. The buyer is anonymous.

The sale of manuscripts and printed books totalled £375,848, but with a fairly high 22.58 per cent unsold. This was mainly because of the failure of two lots of Piranesi engravings to find buyers, including his celebrated "Vedute di Roma" of around 1750: this was unsold at £28,000.

Top price was the £19,800 paid by Quaritch, the London dealer, for a first edition of Galileo's "Sidereus Nuncius", of 1610 which includes the first description of the scientific use of a telescope. Included in the lot was a first edition of Dominis's first work on lenses. Another London dealer, Maggs, paid £18,700 for the first grammar of the Arabic language to be printed in Europe, at Salamanca in 1505, and based on the Arabic spoken in Granada.

Another book of interest to the financial communities by Chiarini, which describes the exchange practices of Florentine merchants at the end of the 15th century. It almost doubled its estimate at £14,300, being bought by Fletcher. It was printed in 1481 by Francesco di Dino, using the fine Neapolitan type he had picked up in Naples.

The earliest practical manual of printing in any language, Moxon's "Mechanick exercises" or, the Doctrine of Handy Works, a first edition printed between 1677-83, sold for £13,200, four times the forecast. Five hundred copies were printed but few survive and it is regarded as a great rarity among collectors of typographical literature.

A curiosity of the sale was an almost complete run of the autograph poems of the artist Egon Schiele. In all, the sixteen lots brought in £70,950, with a top price of £7,480 being paid by the dealers, Fischer Fine Art, for his poem "Visionen," composed in 1910. Some of his poems were published in his life time but he is best known now as an artist of tortured portraits of his friends and lovers.

The auction continues today with musical manuscript, including a recently discovered piano piece by Liszt and the archive of the composer Edward German. At Bonhams a mid 17th century stumpwork embroidery depicting allegorical figures of the four continents sold for £10,780.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Friday November 27 1987

CAP buck passed

THE European Community's farm ministers are in complete disarray. After several days of negotiations in Brussels this week, they finally abandoned their attempt to agree reforms which would curb the spiralling spending on the Community's common agricultural policy.

It was a dismal showing. The ministers have for months now been considering proposals from the European Commission detailing ways of limiting production - and so spending - on major commodities like cereals and oil seed rape. The proposals, called budget stabilisers, would not bring a rapid return to free market practices in the whole farm sector. Neither would they set cash limits to farm spending as a whole. But they would begin to reduce the Ecu 27bn, (£19bn) amounting to two thirds of the whole EC budget, which now goes on the CAP. At the same time, they would reduce the huge farm surpluses.

The farm ministers had before them a deadline, for control of farm spending is seen as central to the wider issue of the reform of the Community's finances which is to be discussed by EC heads of government in Copenhagan next Thursday. Yet for months they merely skirmished with the stabiliser proposals, and now they have handed over responsibility for producing a farm reform package to the EC foreign ministers.

Why did the agriculture ministers fail and, as important, will the foreign ministers be any more likely to succeed?

Deep divisions

The substantive reason for failure was the ministers' deep divisions over the stabiliser proposals. This in turn reflects important and sometimes fundamental differences towards CAP reform as a whole.

First, all the farm ministers (under pressure from their treasuries) agree that spending must be curbed. The question is, by how much. The cost of the CAP has more than doubled since 1981, when it was some Ecu 11bn. But today the whole farm budget is still less than half what Britain, for example, spends on social security. Clearly the EC could afford a larger farm budget, which is what some farm ministers might like.

Britain, the toughest proponent of reform, would like to place cash limits on farm spending, rightly in our view. Judging that politically unacceptable within the EC, however, it has warmly espoused the Commission's stabiliser measures as the next best thing.

The German Government profoundly disagrees. With 2m people working in agriculture and 700,000 small farmers dependent on the EC's high prices, Bonn has set its face firmly against changes which would mean lower incomes for farmers.

Britain and Germany do agree that other measures, such as aiding farmers to take land out of production, could help farmers adjust. But this is where they both part company with France, which has played a particularly ambiguous role, both appearing to favour a more-market oriented approach and at the same time blocking the Commission's proposals.

So what now? The farm ministers, still closely representing entrenched interests, have shown this week that they are neither able nor willing to take responsibility for farm reform. But all may not be lost.

Vital reform

There may be risks in handing over complex and detailed negotiations on farm commodities to foreign or finance ministers or, beyond them, to the EC heads of government; it is not a sensible use of resources to have them bogged down for hours over milk prices.

Yet there may be no alternative. The farm ministers' failure demonstrates that only the most senior politicians with a broader remit and a wider vision are likely to be able to reform the CAP monster. Such reform is vital not only on financial but also on social and economic grounds.

The differences of substance of course remain. And such is the tortured way of negotiation within the EC that it will be disappointing, but not surprising, if the heads of government fail to agree a farm reform package in Copenhagen next week. Yet it certainly looks now as though they have a better chance of ultimately making the CAP into a more rational, coherent and controllable system than do the farm ministers.

The price of good health

THE Thatcher Government seems unable to strike quite the right note in its policies on the health service. Wednesday's white paper and the accompanying bill allowing NHS hospitals to sell services at a profit had their strong points: the suggestion that GPs' pay should be linked to their performance, for instance, will attract broad support. Nonetheless, they seem unlikely to convince people that ministers are really getting to grips with the nation's pressing health problems. They will not do much to reassure those who doubt the depth of the Government's commitment to the principles underlying the NHS.

Mr John Moore, the Social Services Secretary, has publicly stated his support for a tax-financed service that provides care "free at the point of delivery" but what does this pledge amount to when people are to be charged for visiting the dentist and optician, even when treatment is not necessary?

When the rising burden of medical prescription charges is also taken into account, it surely becomes unrealistic to talk of free health care and if people are expected to pay for dental visits, how long before a small charge is introduced for visits to a doctor's surgery? It is difficult to see the logic for charging for one but not the other.

Common cause

A welcome feature of the white paper is its advocacy of preventative health care. Studies show that it is cheaper to keep people healthy than to treat them when they get ill. A shift in emphasis towards the prevention of disease is clearly overdue when a quarter of young people are overweight, 20 per cent of those over 16 have no natural teeth, and coronary heart disease causes 180,000 deaths a year.

Yet it is unclear how much the white paper will achieve in the way of prevention. The plan to give GPs a financial incentive to provide routine health checks for new patients is welcome so far as it goes but does it go far enough? It might well prove cost-effective to provide regular NHS check ups on a much broader basis. More important, the plan to charge for dental visits and eye tests seems to run precisely counter to the concept of preventative health care. A reduced demand for eye tests, for example, will mean that fewer cases of glaucoma are diagnosed early enough for effective treatment. Untreated glaucoma is a common cause of blindness. Fewer dental visits will likewise mean an even more rapid loss of natural teeth.

The plan to make the services of general practioners more responsive to patients' needs is welcome. If workable ways of linking pay to performance can be devised, they should be introduced. Measuring the performance of a GP, however, is much more complex than measuring the performance of a supermarket manager, and the white paper shows some signs of brushing over the difficulties. That said, there are obviously some steps that can be taken, such as giving incentives for GPs to meet targets for vaccination, immunisation and screening. Giving consumers more information about the range of services offered by different GPs is another.

Poor reception

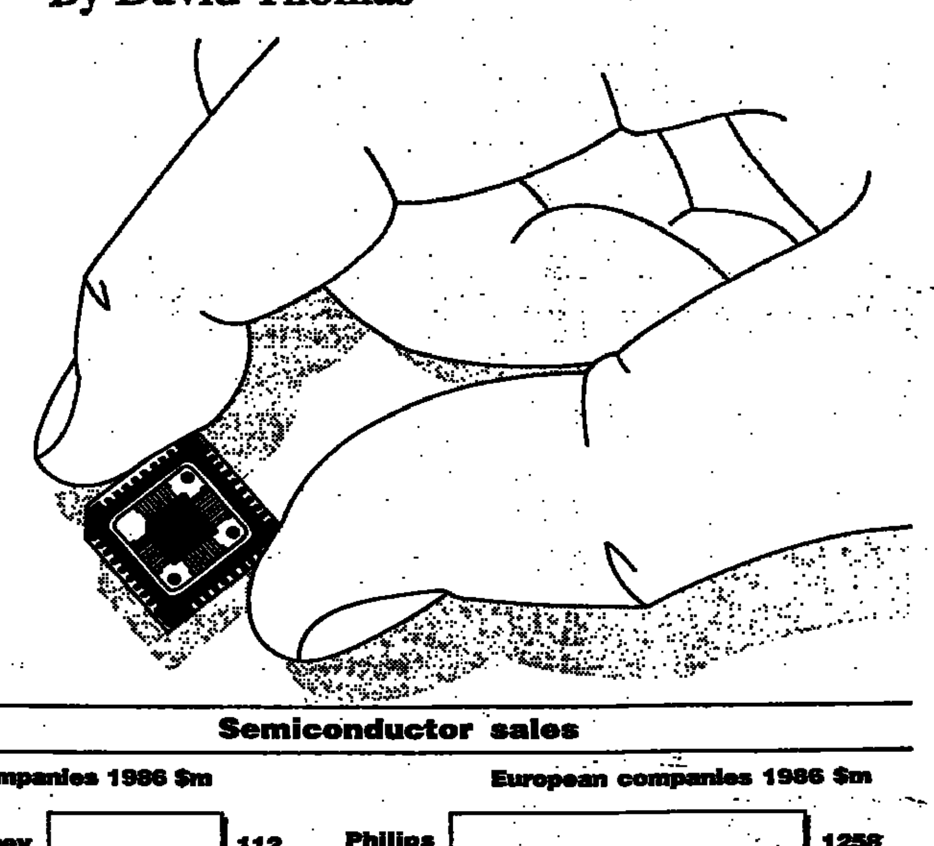
Purists who believe that state medicine and markets must never interact will object to the legislation allowing NHS hospitals to engage in commercial activities. In practice, the move is a case of shutting the door after the horse has bolted: health authorities are already raising cash from a diverse range of services - from breast cancer screening to shopping malls. They are doing so in order to ease chronic financial resource constraints. Wednesday's bill, however, will only ease these constraints at the margin : hospitals are expected to raise about £70m a year from commercial activities by 1990; the total health budget is around £22bn.

When press reports are focussing on the distress apparently caused by staff and cash shortages at NHS hospitals, it is not surprising that a white paper proposing charges for eye tests gets a poor reception. It seems largely irrelevant to the main health issue of the day, which is the appropriate level of overall funding for the NHS. Opinion polls suggest that many want a higher quality service even if this means forgoing tax cuts. With the economy strong and revenue booming, the Government is likely to come under increasing pressure to find ways of respecting these revealed preferences.

THE PLESSEY/FERRANTI DEAL

When bigger is better

By David Thomas



PLESSEY'S takeover of Ferranti's semiconductor operations aims to sort out a key weakness of the British chip industry - its fragmentation. Nothing illustrated this more neatly than a meeting last year held by the European Commission to discuss the future of Europe's semiconductor business.

Sitting round the table as representatives of their country's industry were one West German, one Italian, two Dutchmen, two Frenchmen - and six people from the UK. Britain's need to field six times as many people as West Germany said nothing about the size or health of the two countries' respective industries. What it demonstrated was the small size of British semiconductor companies by European standards.

Plessey, the largest UK chip company, scraped into sixth place in the European league, before yesterday's acquisition, with annual sales in the sector last year of $112m. The European league is itself several divisions behind that in which the Americans and Japanese play. Of Europe's indigenous companies, only Philips of the Netherlands notches up world-ranking chip sales of more than $1bn a year.

The feeling has been growing within the British industry that it has to sort itself out if it wants to stay in the semiconductor game, a race which demands ever-increasing amounts of capital for research, manufacturing and marketing.

Mr Brian Oakley, the first head of the Government-backed Alvey programme of advanced information research, believes that one of the programme's few mistakes was to pump research money into Britain's semiconductor industry in its present structure. "The Government should say that there is no more Government money going into the industry...until its structure makes competitive sense," Mr Oakley said shortly before yesterday's announcement.

While the merged operation is small by world standards, it is a step in the right direction

Ferranti is often cited as a warning to the British industry. The company lost a world lead it established in the 1970s in gate arrays - chips which are partly customised to meet the needs of individual customers. Better resourced companies, such as Motorola and LSI Logic of the US and Fujitsu and NEC of Japan, moved into the market. While Ferranti stuck to its bipolar technology, suitable for high power applications, the newcomers introduced CMOS technology, used for low power applications, or a mixture of the both.

Many believe that much of the rest of the British-owned industry remains vulnerable to the giants because of a feature which throws into relief both its potential medium-term weakness - and its present strengths.

From one angle at least, that of profitability, the UK has not been doing too badly by comparison with foreign chip manufacturers. Most avoided the financial haemorrhage which devastated the giants during the semiconductor slump of 1985-86.

That was because British companies have almost no presence in mass market standard products, which are most prone to cut-throat price cutting when demand dries up. The General Electric Company dropped any thoughts of that back in the 1970s: GEC's chip output is now mainly of specialised devices, many for in-house use. STC abandoned plans to use its new plant in Kent for standard memory devices when it ran into financial problems in 1985-86.

British companies have specialised in niche markets: chips, like the transputer developed by Inmos, Thorn EMI's semiconductor subsidiary, which use highly innovative designs to solve particular problems for users such as computer companies: "The British strength in this part of the market is quite remarkable," comments a senior official in West Germany's technology ministry.

Plessey and Ferranti have both concentrated on devices, like gate arrays, which are at least partly customised for particular users, known as application specific integrated circuits (ASICs). Produced in lower volumes than standard chips, they have more value added, better margins and are expected to take an increasingly large share of semiconductor sales.

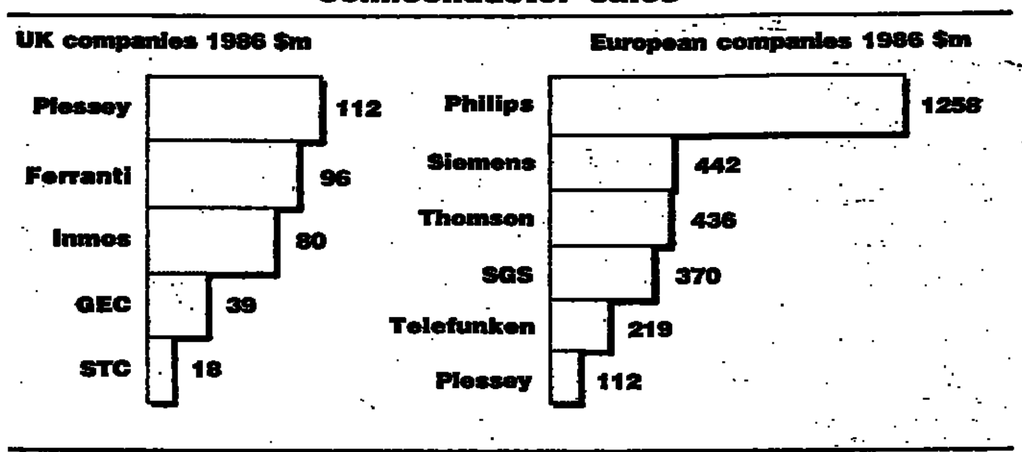
But there are fears that the big Japanese and American groups will use their marketing, financial and technology muscles to turn ASICs into commodity markets. Mr Iann Barron, Inmos's chief strategic officer, argues: "As the level of integration increases, most ASICs will integrate microprocessors and memory - success will depend, therefore, on access to microprocessor and memory technology."

This suggests the British industry has a relatively short time to sort out its structural problems. "The British position is fine for the short term, but not for the longer term," warns Mr Ivor Cohen, until recently head of Mullard, Philips's UK electronic components subsidiary.

Indeed, many foreign chip companies already larger than the British have announced mergers or alliances to spread spiralling development costs: SGS of Italy has merged with Thomson of France, Philips is collaborating with Siemens of West Germany in their $1bn Megaproject to develop the next generation of memory chips, while in the US, National Semiconductor has taken over Fairchild, and Texas Instruments and Intel have signed a five year agreement aimed at making both ASICs leaders.

The merged Plessey-Ferranti operation claims to be in the world's top ten in both ASICs and gate arrays, but it remains small by the standards of the US and Japanese giants. Nevertheless, it is "a step in the right direction" in signalling to the industry worlwide that the British are prepared to tackle their problems, according to Mr Jim Beveridge, a London-based analyst with Dataquest, the UK market research company.

Semiconductor sales



Source: Dataquest

The enlarged operation should also be more attractive to non-UK companies wanting to forge technology or marketing alliances. Dr John Bass, Plessey's director of research, speaking before yesterday's announcement, said: "The Europeans tend to be dismissive of approaches from UK firms because we're so damn small."

Moreover, the new company makes good sense on both technological and marketing grounds, according to Mr Beveridge at Dataquest. Plessey's CMOS technology will complement Ferranti's bipolar gate arrays. "Our customers will be able to do a complete ASIC kit deal with the new company," Mr Doug Dunn, head of Plessey's semiconductor operations said yesterday.

Plessey says there is relatively little duplication in their markets. Ferranti is strong in computers and some industrial applications, Plessey is well represented in telecommunications and some consumer applications like mobile communications, while both have considerable military business. Plessey will also be able to build on the greater US presence of Ferranti, which in 1977 acquired Interdesign, a small American semiconductor house.

Yet, even if the new company justifies these early hopes, it will almost certainly not be the last word in the evolution of the British industry. Further straws in the wind include:

● Thorn EMI, intent on concentrating on a small number of core businesses, is trying to sell a majority stake in Inmos. Inmos, most observers agree, has three first-rate products: a fast static memory chip, which provides most of its present sales, its transputer and a colour graphic chip, which has been bought by IBM among others. But with sales of only $80m last year, Inmos has been struggling to make money.

With Plessey saying yesterday it was uninterested in Inmos, the industry and the Government may be faced with the prospect of Inmos, Britain's third biggest chip company and the main legacy of the last Labour Government's attempt to build up Britain's chip industry, passing into foreign control.

● Whitehall is pondering a follow-up to the Alvey programme, which is now winding down. The future of that part of the programme dealing with advanced semiconductors, one of the key technologies chosen by Alvey for support, has already sparked a public disagreement which highlights a dilemma at the heart of the British industry.

A group representing Britain's leading electronics companies has sent the Government a proposal, called A National Plan for Silicon Microelectronics, for a five-year Government-backed £255m programme of research involving a small number of centres of industrial technology research and of academic excellence.

But Mr Barron at Inmos has responded to the plan with a scathing note, which argues there is no evidence that Alvey research programmes have helped make the industry more competitive. Mr Barron believes the Government should back the sales and manufacturing effort of those parts of Britain's industry which stand a chance of becoming world competitive.

● Simultaneously, the Department of Trade and Industry has commissioned a comprehensive report on policy options for Britain's semiconductor industry from Mr Ian Mackintosh, a leading electronics consultant. The report's conclusions have not been made public, but it is likely to advocate much further consolidation of Britain's chip industry even than that represented by yesterday's announcement.

Underlying the debate about the future role of Government in the industry are two questions which are still unresolved despite the thousands of brain years devoted to them. Does it matter whether Britain has much of a semiconductor industry?

Yes, say the industry's enthusiasts, not just because it is a high growth area, but also because Britain's chip users, such as computer, telecoms, defence and consumer electronics industries, are more likely to stay ahead if they are closely in touch with latest developments in key components.

Sir John Clark, Plessey chairman, backed this technology-push argument yesterday in ringing tones: "It is important that Britain retains a national strategic independence in this important technology which lies at the heart of all electronic products and systems which increasingly dominate our lives and industrial future."

Mr Mike Watson, director of technical strategy at ICL, Britain's biggest computer company which depends for its crucial components on Fujitsu, says ICL would like to buy many more general purpose semiconductors in the UK. This is partly because it would make coping with currency fluctuations easier, but also because ICL could be more certain of hearing first about the latest technical developments from its suppliers.

No, say the sceptics, because the technology-push argument has got the wrong end of the stick. Britain does not have much of a semiconductor industry because it does not have much of an electronics industry, not vice versa. Japanese semiconductor companies flourish because of the country's consumer electronics dominance.

Question two is whether the UK Government should back the British industry with public money? Sceptics ask why this area should be singled out as a special case, especially since most British companies have been so chary about putting their own money into it.

In response, the industry argues that foreign governments give their companies huge subsidies, often through research grants or public sector orders.

While these arguments rage, inward investment, openly supported by the British government, is transforming the face of the British-based industry. According to Dataquest, more than half of the $750m semiconductor output in Britain last year came from foreign companies, whose British plants are producing many standard mass market chips. Some companies like Philips and Texas Instruments have been long term manufacturers in Britain. Others, such as NEC of Japan and Motorola of the US, have announced plans to make the next generation of memory devices in Scotland.

Many of the foreign concerns in Britain, like Motorola, NEC, Texas Instruments and National Semiconductor, are almost certain to be among the world leaders well into the next decade. For British-owned companies, by contrast, the future is a lot less certain, even though yesterday's announcement has put one piece of the jigsaw in place. According to Dr Bass at Plessey: "The next year or the next couple of years could be make or break."

Men and Matters

Drawing money no crime

The artist triumphed over the banker at London's Old Bailey yesterday when it took just 10 minutes for a jury to decide that James Boggs's drawings of English banknotes were works of art and not illegal replicas.

Boggs, 32, an American now living in Hampstead, has become well-known for his art in Europe. I wrote last year of his experiences in Basle where the Swiss - who appreciate a finely-drawn banknote - not only bought his paintings but also took them in payment for accommodation, meals, drinks, and taxis.

In Milan, he found that his drawings of lira notes were less acceptable than the real thing. But it was not until he started drawing English banknotes that he had any trouble with the monetary authorities.

The Bank of England refused him permission to practise his art, and detectives seized four of his works on exhibition - a £10, a £5, and two £1. Then he was arrested and charged under the 1981 Forgery and Counterfeiting Act, though the Bank made it clear that it was not alleging either forgery or counterfeiting, but just reproduction without permission.

The jury yesterday accepted barrister, Geoffrey Robertson's argument that Boggs's drawings were as different as "chalk and cheese" from real currency. "If you look at the Mona Lisa you do not say that is a reproduction of a woman."

Boggs's solicitor, Mark Stephens, accepted five of the artist's drawings in payment for his services.

The costs of the prosecution will be paid out of public funds.

And Boggs, who drew a £50 note while he was in the dock, left saying:"I will be spending that before Christmas."

Food prices

The Good Food Guide, published this week by the Consumers' Association, praises the food at London's Connaught hotel as "the kind of grand hotel gastronomy which sustained British catering for the last 150 years."

But what caught the eye of its proprietor, The Savoy Group, was the Guide's claim that its other hotels in London - the Savoy, Claridge's, and the Berkeley - had shared in another activity at the top end of the restaurant business in 1987: "a massive hoick in prices."

Editor Drew Smith suggested that the cost of eating at the Savoy was up by 20 per cent on last year, while the cost at Claridge's and the Berkeley was up by 30 per cent.

The Savoy group says that "none of these statements is accurate" and is considering a legal action for damages.

It adds that the Savoy's prices have risen by 4.2 per cent, while food at Claridge's has risen by 8.5 per cent. The only change at the Berkely, it says, is an increase from £9.50 to £10.50 in the fixed price menu in the Buttery.

Second house

Is Enoch Powell poised to introduce another twist in the tortuous path of logic he has pursued in his remarkable political career by agreeing to accept a life peerage in the New Year Honours?

He has already admitted that, while not regretting the dozen years spent as Ulster Unionist MP for Down South, it might have been more consistent with his case that Britain ceased to have a sovereign Parliament on acceding to the Treaty of Rome and becoming a member of the European Community, if he had ended his association with Westminster when he did not seek re-election as the Conservative Member for Wolverhampton SW in February 1974.

Powell opposed the introduction of life peerages, and with Mrs Thatcher, showing little inclination to recommend hi for elevation to the hereditary ranks, it had been assumed that the Upper Chamber would be denied his stimulating presence.

But now it seems that if James Molyneaux, leader of the Ulster Unionists, can persuade Powell that the province needs his powerful voice in the Lords at this crucial time in its fortunes, he will allow himself to be drafted without the hereditary trappings.

City society

The Fabian Society, the thoughtful arm of the British Labour movement, is trying to establish a new political discussion group in the City of London.

An advertisement in the New Statesman has already stimulated some interest in the Square Mile where the Fabians' general secretary, John Willman, used to work for accountants Peat, Marwick, Mitchell.

Willman says that the society has "a lot of supporters" in the City but that it is a long time since it had a formal presence there in the shape of the XYZ Club. Back in 1952, he recalls, a certain C.W.McMahon (now translated into Sir Kit of the Midland Bank) wrote a pamphlet on British purchase tax for the society.

"This is an effort to rekindle that sort of relationship, to stimulate the flow of ideas," Willman says.

Live wire

John Derrick, joint publisher of the consumer magazine "What To Buy For Business", has emerged as a member of Cecil Parkinson's team which is considering how to privatise the electricity industry. When Parkinson opened the latest Centre for Policy Studies privatisation conference in Westminster yesterday, he introduced Derrick as "my special adviser".

After opening the proceedings, Parkinson said Derrick would report the rest of them to him and left for a Cabinet meeting.

Derrick contested the hardcore Labour seat of Rother Valley in the 1983 general election and is understood to be still on the Conservative party's list of candidates. During the last election, he worked in Mrs Thatcher's department inside Conservative Central Office.

The 30-year-old bachelor, who lives in Battersea, began his business career at university in the late 1970s when, with Philip Oppenheim (later MP for Amber Valley in Derbyshire) he published a guide to London for Arab visitors. After going their own ways - Derrick worked briefly at the merchant bank Morgan Grenfell - the duo teamed up again to launch "What to Buy for Business", which claims a UK subscription list of 12,000 and another 5,000 in the US.

Too high

The 13-nation European Space Agency won a supreme battle three weeks ago when it gained approval for a series of ambitious, manned space projects which will cost European governments £8bn by the end of the century.

The upward thrust of the Paris-based agency has, however, been disturbed by the sudden resignation of Godehart Nowak, the organisation's head of public affairs.

Nowak, who was brought into the agency earlier this year to sharpen up its image, will leave today after a disagreement with Professor Reimar Luest, ESA's director general.

It is thought that Nowak, an experienced public relations man who had worked for 10 years in journalism, including a spell at the BBC, wanted to raise the organisation's profile rather higher than the more conservative Luest wished.

Too many falls

Notice in yesterday's Sporting Life - Scratchings. All engagements (dead): Financial Wizard.

Observer

POLITICS TODAY: Malcolm Rutherford

No time to be stand-offish

MARGARET THATCHER believes that she may be little more than half way through her term as British Prime Minister, if that.

Asked in her Financial Times interview (November 23) whether she would still be Prime Minister in 1993, she replied: "Well, one would like to be, but it does not wholly depend on me."

She was not asked whether she would still like to be Prime Minister in 1997, by which time, presumably, two more British general elections will be out of the way. Yet she did suggest that she was already thinking about celebrations for the second millennium.

Such self-confidence - some would call it arrogance or even hubris - is now largely taken for granted. Mrs Thatcher became Prime Minister in 1979 and quickly ran into difficulties. If she had stated in 1981 that she would still be in power in 1985, not everyone, including a lot of Conservatives, would have taken her seriously. Now that she has a long term behind her, disbelief has been suspended.

Of course, there could be accidents, cock-ups, major changes of fortune. There are several potential pitfalls. The Government did not look too deft in the way that it handled its proposals on health this week - it should be remembered from the last general election campaign that the National Health Service is one of the Conservatives' vulnerable points. There will be problems with the Education Bill because many Tories, especially outside London, think the Government is going too far in allowing state schools to opt out of the local authority system; and with the community charge, or poll tax, which we know from a written parliamentary answer could adversely affect 3m households.

Inflation may still turn out to be one of the biggest problems. Both the Prime Minister and Chancellor Nigel Lawson admit to being puzzled that it obstinately refuses to fall below an annual rate of between 3 and 5 per cent.

Not least, there is the boredom factor: not just in the country and the media, but within the Conservative Party itself. It is all too easy to imagine the Tories having one of their customary fits of jitters about whether they want to go through another general election with Mrs Thatcher at their head.

Yet the Prime Minister does seem to have the next few years pretty well mapped out.

"The period between elections when you are in government," she told the Financial Times, "is too small." That is why, she said, "we have to put the Housing Bill, the Education Bill and the Local Authority Finance Bill in the first session: you have the time lag of getting them through." The next year the legislation begins to take effect and, in the third year, to show results. By then, you have started to think about the next general election.

Thus the chances that Mrs Thatcher could still be Prime Minister in five or six years' time should not be rated too lowly. It is possible that British politics will become like those of the Japanese: not a one-party state but a one-party government, though in Japan there are factions within the ruling party that lead to the premiership changing hands.

If the thesis of Conservative dominance going on and on is plausible, certain adjustments will have to be made in British politics. For one thing, does the British Labour Party want to become like the Japanese socialists: always there, but unlikely to win power? Are the Liberals and Social Democrats, or whatever becomes of the Alliance, going to be more than fringe groups?

A more immediate question, however, is about Mrs Thatcher's control of the Government and especially her growing interest in foreign affairs. In her FT interview there was a tendency for her to sound like earlier British Prime Ministers: like the Harold Wilson of the 1960s talking about Britain still being a global power, and like Eden and Churchill in a somewhat stand-offish attitude towards continental Europe.

It should be clear, even to casual students of contemporary events, that this is one of those periods when the international landscape is changing. Yet the evidence that there is much of a debate about this in Britain is slight. There is certainly little of it to be found in the House of Commons.

Mrs Thatcher, to her credit, wants to reform the European common agricultural policy once and for all, and there is much to be said for her proposals to eliminate existing farm surpluses by national means and to adopt a system of stabilisers that would prevent them recurring. But is this the best way of approaching the rest of the Community?

To put it sharply: Britain has misunderstood continental Europe for most of this century. It did not foresee the First World War. In the 1930s far too much of the British establishment was sympathetic to the Nazis in Germany and the fascists in Italy. In the 1950s it turned its back on what became the Common Market. It has tended to underrate the Franco-German relationship ever since. It does so still.

When Mrs Thatcher says that she still does not want to take Britain into the European Monetary System, not only does she appear to undermine the exchange rate policy of her Chancellor, she also seems to be delivering a snub to the Europeans. "British economic policy is too important to be entrusted to foreigners," as it were.

And it does seem strange that she is so easily able to override the preferences of the Chancellor and Sir Geoffrey Howe, the Foreign Secretary, both of whom would like to go in.

Oddly enough, she was also sceptical about setting up the medium term financial strategy in 1980 and on the same grounds: that she does not like being obliged "to think on graph paper. It boxes you in".

It must be equally annoying for the French and Germans to be the recipients of suggestions that they are trying to build up "sub-structures" that unwittingly could undermine the Atlantic Alliance. What France and Germany are doing is to try to stay as close as possible to each other. The imperative must be to ensure that France plays a full role in the negotiations on conventional arms control that must follow the nuclear agreement between Washington and Moscow. That is in the British interest.

Ever since the first attempt to enter the European Community failed in 1963, the British have tended to make overtures either to Paris or Bonn, seldom to both at the same time. At the moment, it seems to be the French who are in favour, though with elections coming up they could be an uncertain quantity. Meanwhile, the French and Germans have continued to woo each other, despite changes of government in both countries.

The essential aim of British policy now must be to join that act. It is not anti-American, nor will it necessarily be so interpreted in Washington. It is dispiriting to find how little this is being urged on the Prime Minister in London.

David Barchard looks at the first freely contested general election in Turkey since the 1980 coup

The Ozal record is laid on the line

TURKEY'S general election this Sunday has all the ingredients of a political thriller. The Prime Minister, Mr Turgut Ozal, who set up the ruling Motherland Party only four and a half years ago, stands on the edge of a victory which could shape Turkey's politics for the next decade.

Yet only a few months ago his chances looked much less bright. The Motherland Party's hold on power looked fragile as the other major parties with deeper roots reasserted themselves.

Now all the betting is on Mr Ozal winning a handsome victory. If the predictions are right, he will be clear to press on with the radical economic programme he has followed since coming to power in 1983 and which underpins his determination to lead Turkey away from the economic and political collapse of the 1970s which culminated in the 1980 military revolution.

Mr Ozal gained power in the 1983 elections chiefly because all the principal politicians and parties from before 1980 had been banned. There was a widespread feeling that he would find it hard to hang on after a free election.

Since 1983, although the stern constitutional arrangements made by the military have remained, martial law has been lifted and press censorship ended. The return to democratic conditions enabled Mr Ozal to apply to the EC in April this year to become a full member of the community - the dream of many Turkish industrialists.

However, the lifting of restrictions on opposition politicians posed a challenge to Mr Ozal's hold on government. Many of his supporters felt the best he could hope for after elections was a coalition, probably with former prime minister Mr Suleyman Demirel and the True Path Party.

Mr Ozal had other handicaps to contend with. Turkey's press is mainly fiercely hostile to him. Last February, he had a triple by-pass heart operation in Houston and has not been able to keep to his campaign schedule this month.

Despite all this, Mr Ozal has turned the tables on his opponents. They were badly caught off guard by his calling of elections this year, twelve months ahead of schedule, just as they were in the spring when Mr Ozal announced a referendum on whether or not the politicians of the 1970s should be allowed to return to political life.

The result on September 6 was that the banned politicians regained their rights but only by a humiliatingly narrow margin. Their challenge to the Prime Minister was punctured.

His advisers say that Mr Ozal is waiting for a popular mandate to press ahead with sweeping economic and political changes. There is still plenty to be done.

Privatisation of the State Economic Enterprises is still in the planning stage. Imports are subject to stiff surcharges in most cases. There has been little attempt for several years to bring the growth of the money supply under control.

Above all, there is an urgent need to curtail public spending which has ballooned in the last eighteen months with municipalities and major state agencies across the country embarking on lavish and sometimes blatantly wasteful public works programmes with seemingly little central government control.

The mood is likely to remain expansionary. Mr Ozal believes that he is laying the foundations for an industrial society of 100m people in the next century. The Motherland Party's election manifesto promises average growth in Gross National Product of seven per cent over the next five years, with exports rising from about \$10bn (£5.6bn) this year to \$20bn in the early 1990s.

It conspicuously avoids making firm promises on what most ordinary Turks see as their main problem - the country's high rate of inflation, which has not dipped below 25 per cent this decade and which is currently around 40 per cent. "Inflation will be brought down to reasonable levels" is as far as the manifesto will go.

There are already signs of a major post-election battle on what "a reasonable level of inflation" can be taken to mean. State banks, old-style bureaucrats in the government and ailing private sector companies would probably prefer the relaxed budgetary and monetary policies to continue.

In public these desires translate into the argument that Turkey cannot afford the social costs, notably higher unemployment, which deflationary policies would bring. Around 20 per cent of the labour force is out of work nationally and a 2.8 per cent birthrate means that more than half a million young Turks enter the labour market each year.

Warning signs that the country cannot persist indefinitely with existing policies are already apparent. Though the current account deficit this year will be well below the \$1.5bn of 1986, the country's external debt has climbed from \$16.1bn in 1983 when Mr Ozal took power to \$31.2bn at the end of last year, and the debt servicing ratio has been hovering around 40 per cent - a figure that makes many international bankers uneasy and casts a shadow over Turkey's creditworthiness in the international markets despite the obvious economic recovery of recent years.

Many bankers and economists hope that after the elections Mr Ozal will listen to the Central Bank Governor he appointed last July, 39-year-old Dr Rusdu Saracoglu, who wants Turkey to pursue genuinely non-inflationary policies, even if this means several years of lowered growth rates, higher unemployment and some bankruptcies.

Dr Saracoglu, who is said to be under instructions from the Prime Minister to be "the tightest ever Central Bank governor in Turkey", believes that inflation could come down well below the 20 per cent mark, given appropriate monetary policies, with growth subsequently rising to annual rates of 8 per cent by the early 1990s. This would offset the initial social and political costs.

Whoever wins on Sunday, Dr Saracoglu is virtually certain to make life much more difficult for the in-coming government by being less compliant than his predecessors with requests for funds.

Mr Ozal's political strategy if he does regain power is harder to fathom. His overriding priority at the moment seems to be to prepare Turkey for full membership of the European Community at the earliest possible date - and he has repeatedly said that he thinks this is ten years or less away. This means that the country has to ensure that negotiations get under way in about two years time when the EC Commission submits its formal opinion on the application for full membership.

A lot of preliminary spadework is going to be needed and it will not be enough simply to continue proclaiming that convergence with Europe is Turkey's main foreign policy goal. Some of the political obstacles which will have to be resolved include restrictions on associations and trade unions, the sprucing up of Turkey's international image on human rights and - most contentiously - the lifting of formal bans on Islamic fundamentalist and Marxist political activity.

These are delicate questions because they involve the undoing of much of the work of the military during their spell in power between 1980 and 1983. President Kenan Evren, for instance, has already signalled that he does not think that the Communist Party should be legalized and he probably speaks for the still-influential military.

What Mr Ozal and his advisors have been searching for in recent months is a formula which will institutionalise civilian supremacy and at the same time maintain political stability. The preferred political model now seems to be to achieve for the Motherland Party something like the ascendancy which the Liberal Democratic Party enjoys in Japan - the country which has long been Mr Ozal's favourite model for economic development.

There seems to have been a deliberate broadening of the Motherland Party's base to include some social democrats in its ranks. The effect can already be seen in the current election campaign in which the fierce polarisation of the 1970s has been blurred.

The belief is also growing that when President Evren's seven year term in office expires in November next year, Mr Ozal may assume the presidency and appoint a prime minister who would likely assume his mantle in due course.

Letters to the Editor

Businesses can be ignored

From Mr Phillip Oppenheim MP.

Sir, Your recent leader (November 18) supports the CBI's criticism of the Government's proposed rate reforms insofar as they argue that the Unified Business Rate will "leave local authorities with no incentive at all...to take businesses' interests into account".

The CBI is living in a dream world if it thinks that many county councils take any serious account of businesses' interests under the current system. Businesses have no vote, despite supplying about a quarter of councils' incomes, and they are largely ignored in left wing-led local authorities - any industrialist who has, for example, been through the farcical so-called consultation with the County Council in Derbyshire will tell you that.

Criticisms that the community charge will weigh heavily on deprived areas and that anyone will "pay equally towards the cost of local services" are also false - though partly fostered by the Government's own statements. It has been made clear, however, that those on low incomes will receive rebate which will, in many cases, cover the whole of the community charge. This might, in fact, be considered by many actually to be a bad thing, as it perpetuates the schism between responsibility and voting which exists under the current system.

Whatever its faults - and no-one is claiming it is a panacea - the community charge proposals represent a major advance on the current intolerable state of affairs. There simply are no easy, clean or simple answers to rate reform and it is encumbent on the critics of the proposals to come up with something better.

Phillip Oppenheim,
House of Commons,
London SW1

A land tax would seem more just

From Mrs Winifred Digney.

Sir, Poll Tax, wealth tax, property tax, income tax; all have their failings.

No-one likes paying taxes, so what about a tax about which no one with any sense of justice can complain?

What about a tax which does not penalise people who improve their property, which does not hamper production but stimulates enterprise and creates employment, and which is easy to collect and impossible to evade?

A tax on land values fulfils all these criteria.

Land is in a different category from any other form of property. It is not man-made, but a gift of nature to everyone, and no-one is born with a greater right to it than anyone else. Land values are created by the activities of the community; ethically these values should belong to the community. The collection of the economic rent in the form of a tax on land values would establish everyone's equal rights to land without necessarily disturbing those in possession. It would provide revenue which could be, used for the benefit of everyone, and people would not be deprived of the products of their own efforts.

Government after government has tried and failed to bring about a more equitable distribution of wealth, and charity has often been the only solution, but charity is no substitute for justice. A society which is based on justice is more likely to prosper.

Winifred Digney,
Walden,
Stanley,
Stoke-on-Trent

London will get less back

From the Chair, Finance Sub-Committee, Inner London Education Authority.

Sir, I have had Westminster City Councillor Barry Legg's letter of October 24 drawn to my attention.

He misses the essential points. Under the government's proposals for local government finance, business rates in Westminster will go up by 38 per cent. This money will not go, as it does at present, to London local government, but will go to finance local government nationally.

London will get less back as a proportion of its spending than other parts of the country. So the level of the tax will be outside Westminster's control, and outside London local government's control, and most of it will not be spent in London. All told, Inner London will have its rate income reduced by £500m, and that is the equivalent of £274 per adult on the average Poll Tax bill.

I cannot see why anybody - whether business representative, householder or councillor - should be happy with this prospect.

Rosemary Nicholson,
The County Hall, SE1

GATT agreement breaks barriers

From Mr Harry L. Freeman.

Sir, You are to be commended for your editorial (November 13) highlighting the US proposals for negotiating a GATT agreement on services.

International trade in services indeed poses some unique, though not necessarily insurmountable, problems for negotiators. Witness the US-Canada trade agreement recently concluded by the world's two biggest trading partners. For the first time in any major trade agreement, the US-Canada deal includes broad coverage of services, including guarantees of national treatment, cross-border trade, and the right of establishment for services traders. The agreement breaks down some important barriers for financial services firms in particular.

Some issues were skirted, and indeed the negotiators avoided having to do battle with state and provincial regulators. However, taken in its entirety, the agreement represents a major step forward.

Even the US banking law, Glass-Steagall, did not prove to be the obstacle you portray. Even though Glass-Steagall represents a serious constraint, the US remains one of the most open markets in the world for foreign financial services providers. Canada presumably accepted that national treatment in the US market was worth locking in, even with Glass-Steagall.

Finally, I would take issue with your contention that services will not be a major factor in the success or failure of the Uruguay Round. These talks must either move multilateral trade policy ahead into the next century or risk making the GATT trading system irrelevant. To ignore the reality that services are fast becoming a major source of jobs and growth and an increasingly important component of international trade, would seriously call into question GATT's mandate for the future. After all, the critical question is whether the GATT can stay viable and relevant. If it cannot make progress on the newer areas, such as intellectual property and services,the viability of GATT is questionable.

Harry Freeman,
Executive Vice President, Corporate Affairs and Communications,
American Express Company,
American Express Tower,
World Financial Centre,
New York

There is a certain amount of cultural confusion on the bottle

From Mr James Bourlet.

Sir, Ian Rodger's report from Tokyo (November 12) comments that "the Japanese government will try very hard to squirm out of meeting Gatt's demands...because of strong political pressure from the domestic drinks industry for continued protection". The drink at issue, of course, is whisky, and the alleged protection, apart from an import duty of about 50p per bottle, is - in large measure - outside of direct government control (such as distribution tie-ups), or reflects custom over many years (such as the quality grading system).

Long forgotten in the West is the basic cultural reason for the difference in liquor tax policy between Japan and ourselves. Certainly protectionism and pressure group influences have been at work - but there is more to it than that.

Our system - the taxation of alcoholic drinks simply according to alcohol content - is a legacy of our willingness to tax an "evil" product; the disrepute of drinking habits of yesteryear, and the subject of prohibition.

Japan's system was never based on this hangup. The Japanese are as far away from understanding our attitude to alcohol as we are from understanding theirs to sex, love hotels or geisha dignity. Japan has always taxed domestically produced drink according to price and quality - on the principle that if you can afford a more expensive drink, you can afford to pay more tax. A poor man's drink such as crude sake or shochu is taxed less than a rich man's premium grade whisky.

It is therefore a great shame that, at the GATT, the EC has called for a change in the principle of taxation on all liquors in Japan - when the Japanese see their system as fairer and cannot sympathise with the moral case for our system.

Furthermore, in relation to current whisky imports the Japanese are entitled to claim that the existing tax system taxes imported scotch at the same rate as comparable Japanese products, and that such whisky takes 4 out of every 5 yen spent by Japanese consumers on whisky of all sorts. Ordinary scotch such as Cutty Sark or Johnny Walker Red Label sells for about £12 a bottle in off-licences in residential areas, and imported whisky takes nearly a third of the money spent in the market in which it competes. Commercial rather than tax considerations prevent UK distillers from producing crude whisky to compete in the poor quality sector.

By insisting that scotch whisky is basically cheap and that it should have a lower tax and price in Japan, the EC has already seriously damaged its image as a "prestige" item. "Victory" at the GATT may earn the EC political Brownie points, but I fear that, in Japan, confusion will be the main reaction, and a compromise the only concession. There will be an attempt to "save face" for all - and it would be a great mistake to interpret this as "squirming out" of anything at all.

James Bourlet,
Economic Research Council,
1 Old Burlington Street, W1

FINANCIAL TIMES
Friday 27 November 1987

Projections about the US budget deficit cuts baffle the experts, **Anthony Harris reports**

Forecasts are suspended in mid-air

HALF a century ago, the late Mr Robert Benchley, he of the New Yorker's Round Table, wrote a baffled essay on how to build a suspension bridge. He could get on very nicely, he concluded, if somebody else started the job. If he were faced simply with a river, however, he would be defeated by a basic problem. The bridge had to hang down from something. Down from what?

He concluded that he had no idea, and exactly the same question is now baffling those commentators who are trying to develop a forecast of the US Federal deficit from the budget package just agreed between the Administration and representatives of Congress.

Some figure for the deficit is to be reduced by some $75bn, but what figure, and when? Even those closely involved are remarkably vague.

The first ambiguity concerns the $75bn itself. The headlines suggested, and some quite high-level observers initially believed, that the proposed cuts were cumulative, reducing the still unknown baseline figure by $30bn in 1988 and a further $45bn in 1989. The truth, it has now emerged, is much less exciting. The cuts will reduce the projected 1988 deficit by $30bn, and the projected 1989 deficit by $45bn. The seeming impressive $75bn total measures simply the reduction in Federal borrowing over the two years.

This has been only a minor disappointment, though, compared with the discovery (which will be no surprise to readers of this newspaper) that even after the package has been enacted, the deficit may not be reduced at all. This depends both on the baseline estimate adopted, and on whether the economic growth assumption which underlies that estimate is realised in practice.

The Gramm-Rudman budget balancing procedure requires the Congressional Budget Office to offer an estimate which is then revised, with full explanations, by the Administration's Office of Management and the Budget. Assuming that the explanations are persuasive, the OMB figure is then the baseline from which cuts may have to be made to reach the Gramm-Rudman targets.

This debate used to be conducted in Congress, since the CBO was notoriously sceptical about OMB growth hopes, but the pressures of the Gramm-Rudman process have now produced a close convergence between the two. Since revenue flows are highly sensitive to the growth rate, the sceptics expect the deficit to rise modestly in both of the next two years, even assuming that the package is implemented - a forecast which some reporters have received with blank incredulity.

Wall Street, which has been almost entirely unimpressed with the package itself, is now more cautious, but some response to their growing debt burden has been expected for a long time. Export demand, on the other hand, is still buoyant. The effects of the crash, apart from a few luxury imports, have so far proved so difficult to pin down that Washington optimists are now calling it "the crashette."

The effects of the crash have proved so difficult to pin down that the optimists are now calling it "the crashette"

The CBO starting figure in the present exercise was just over $179bn - barely changed from the $178bn estimate which the CBO offered in January. This would suggest that the package would almost exactly stabilise the deficit at its estimated value for this year, $148bn. However, the OMB revised this to $165bn, mainly it seems, because the Administration's pay offer to public servants is well below the cost-of-living adjustment which the CBO had assumed. On this basis, the deficit for 1988 could be about $15bn lower than for this year.

Both projections, however, are based on growth forecasts which many of the academic economists - so numerous in Washington - regard as far too optimistic. Consumers are now being a little also beginning to question this academic gloom because of the revised economic statistics which have come out this week. These figures suggest that the Administration's forecasts for the current year could even prove a little conservative. The devaluation of the dollar may have had a barely detectable effect on the trade deficit until now, but it is clear that it is a powerful stimulant to US manufacturing.

This optimism is backed up by the current wave of revisionism about the stock market crash. There is a growing hope that the initial fears that the crash would reduce consumer spending by some $50bn, and bring the revival of capital investment to a halt, were greatly exaggerated. Consumers are now being a little

Sustained growth, and the hope of at least slightly lower costs of short-term government borrowing, do seem to offer a sporting chance that the Federal deficit will actually fall over the next two years. Economists will no doubt go on debating the point as new evidence appears, but they will get only limited attention from the budget-writers in Congress. A great deal of the doubt which has surrounded the whole question arises from the fact that the politicians involved have been totally uninterested in the answer.

"I don't think they knew or cared what the baseline was," one Congressional aide explained. "Once it was clear that all the estimates were way above the Gramm-Rudman ceiling, the only question which interested them was whether they could keep control of events, and stop the automatic sequestrations." Of course, if the gloomier forecasts prove accurate, the package could prove too small to prevent a second Gramm-Rudman crisis in the final months of the present Administration, and this would certainly command political attention. Failing that, the deficit is now pretty low on the political agenda.

EC farm crisis talks collapse in disarray

BY TIM DICKSON AND QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Community's looming political crisis became a reality yesterday when the key talks on soaring farm spending collapsed in disarray.

EC agriculture ministers, who had stumbled on with little sign of progress for the previous 10 days, finally ended their meeting at around 5am yesterday after another fruitless attempt to reach agreement on a crucial package of farm spending curbs.

Failure to resolve the deep differences between member states means that hopes for a successful outcome to next week's summit of EC heads of state in Copenhagen are now fast fading.

The summit is to consider a series of budget reforms, including a new basis for national contributions to the EC budget, a new financial guideline for agriculture spending, the doubling of the Community's regional and social funds and a renegotiation of Britain's budget rebate. It is widely accepted, however, that effective measures to control rising farm support costs are an essential part of any deal on the rest of the package.

The Danish Government, currently in the chair of the Council of Ministers, was last night circulating a new "global" compromise on all aspects of the debate, to try to break the deadlock at a special meeting of the Community's foreign ministers to be held in Brussels on Sunday and Monday.

Mr Laurits Toernaes, the Danish Agriculture Minister and President of the Farm Council, said at a press conference after yesterday's meeting that there was still a "realistic possibility" of finding a solution at Copenhagen.

Some progress, he added, was made in the Farm Council on Thursday night on elements of the European Commission's proposals to apply so-called budget stabilisers to the major EC product regimes - but on the key issue of how to control costs in the cereals and oilseeds sectors the member states were unable to resolve major differences.

The Danish compromise paper is expected to include firm proposals for a new source of national contributions to the Community, based on a measure of gross national product, in addition to the present system linked to value added tax.

The present VAT element, the main source of EC finance, would progressively be cut back in favour of the more equitable GNP-based system, which will both favour the poorer member states and help reduce the large UK net contribution.

That change is being fiercely resisted by Italy, which wants to keep the present system, rather than pay considerably more on the basis of its much larger GNP base.

The UK rebate remains a major area of contention, with British negotiators insisting that the European Commission's plan to link it exclusively to the British share of agricultural spending is a much worse deal than the present arrangement.

The other major problem area, apart from agriculture, is the amount by which the so-called structural funds - social and regional spending - will be increased to benefit the poorer member states. The Commission's proposal to double the funds by 1992 is vehemently opposed by France, the UK and West Germany - the three states whose net contributions would provide the bulk of finance.

China says it will curb arms sales

Continued from Page 1

strong indignation among the Chinese people," he said.

The US Government had not only failed to do anything about this interference but had also tried to establish a link between the disturbances and the human rights question in the region.

"If the US makes no change on this it will also affect the development of Sino-US relations," he said.

Mr Wu was adamant that no substantive progress had been made with the Soviet Union on removing the three obstacles to improving relations. There was therefore no immediate prospect of a visit to Moscow by Mr Deng Xiaoping, the Chinese paramount leader, or to Peking by Mr Mikhail Gorbachev, the Soviet General Secretary.

The three obstacles are the Soviet-backed Vietnamese occupation of Kampuchea, the concentration of Soviet troops on the Sino-Soviet border and the Soviet military presence in Afghanistan.

Mr Wu concentrated only on the Kampuchea problem. The Russians had in recent years changed their wording and terminology in respect of the issue, indicating that they were prepared for a political settlement.

For any progress to be made, however, the Vietnamese would have to agree to pull out of Kampuchea under international supervision.

FKI Babcock cuts workforce by 4,000

BY CLAY HARRIS IN LONDON

FKI BABCOCK, the UK electrical manufacturer and heavy engineering contractor, is to eliminate about 4,000 of its 34,000 jobs by February.

All the losses will come from the former activities of Babcock International, it said yesterday. Babcock International was taken over in August by the smaller FKI Electricals.

A total of 2,500 of the job losses will be in the UK, with 1,200 in the US, 150 in West Germany and 180 in South Africa.

They are part of FKI's effort to complete its rationalisation of Babcock before the end of the financial year on March 31. The programme is forecast to improve profits by £50m ($89.5m) a year.

FKI also disclosed there had been widespread dismissals of former Babcock managers who were seen as not fitting in with the group's new approach. Six out of seven Babcock group managing directors had been replaced and in both the UK and US a third of all senior executives down to site manager level had been dismissed.

Mr Tony Gartland, chief executive, said: "When you undertake a restructuring of this type, there are people who frankly can't handle it. It's not that they're not capable of doing it, it's that they don't want to do it."

There have been so many dismissals that employees of Inbucon, the management consultants, are temporarily filling about 12 line-management positions as part of a contract with FKI worth more than £1m. Inbucon is also monitoring the rationalisation programme.

Mr Gartland emphasised that the group saw its future in manufacturing rather than contracting.

Lex, Page 26

Iran ready to fight to 'liberate' Mecca

A SENIOR Iranian leader said yesterday that his country was prepared to fight to "liberate" Mecca and set up an Islamic international government at the Moslems' holiest shrine in Saudi Arabia, Tehran Radio reported, **Reuter reports from Nicosia.**

"If the world of Islam and its scholars decide so, we are ready to fight under any circumstances for liberation of Mecca and establishment of an Islamic international," it quoted Parliamentary Speaker Ali Akbar Hashemi Rafsanjani as saying.

Rafsanjani was speaking at the "conference to review the sanctity and security of the holy shrines" which opened in Tehran on Monday to discuss repercussions of bloody riots in Mecca during the Haj pilgrimage which left more than 400 dead.

Iran blamed Saudi rulers for the July 31 clashes and said they were not fit to be the guardians of Islam's holy shrines at Mecca and Medina.

Riyadh said the fighting was provoked by Iranian pilgrims during a demonstration. Most victims were Iranian.

Tehran Radio, monitored in Nicosia, said the conference had decided to set up a "world committee to guard the shrine."

Rafsanjani said the world's 1bn Moslems needed "a center, a place where their problems can be debated and solved."

He said Mecca, in which direction Moslems face in their daily prayers, was the natural candidate for the center of "a joint Islamic government or Islamic international."

Rafsanjani, a clergyman, said the Saudi rulers were under "non-Islamic influences" and the Haj pilgrimage under their tutelage was neither useful nor safe.

He suggested that Mecca be run by an independent council.

"We even propose that Arabia take the first step. We will help in drawing up a charter as a basis for administration of Mecca," he added.

Iran has been sending 150,000 pilgrims to the annual ritual in recent years, the biggest contingent among about 1m Moslems

"The Saudis kindled the fire and carried out a massacre," Rafsanjani said. "Saudi Arabia martyred 400 pilgrims - guests of God - for the sake of the United States' interests."

Nearly 300 Moslem personalities from 36 countries are in Tehran for the conference which is expected to issue a closing declaration tomorrow, Tehran radio said.

Clark calls on private sector to trade with S Africa

By Peter Montagnon, World Trade Editor, in London

MR ALAN Clark, the UK Minister for Trade, yesterday urged private sector companies to continue to do business with South Africa, despite widespread Commonwealth calls for sanctions.

"As South Africa becomes more industrialised it will continue to present new and exciting opportunities and I hope that British companies will continue to be well represented and to keep winning business from our competitors," he told the UK South Africa Trade Association in London.

His forthright assertion of Britain's determination to maintain a vigorous trading relationship with Pretoria will inevitably provoke condemnation from other Commonwealth countries.

In a detailed statement of Britain's commercial policy towards South Africa, Mr Clark said the Government had taken measures against Pretoria in keeping with its European Community and Commonwealth obligations. However, these were not meant to signal its disapproval of trade between the two countries.

"Our policy is very simple. We believe that the level of civil trade with South Africa should, within the limits of our international obligations and undertakings, including those agreed with Commonwealth and EC partners, be determined by the commercial judgment of those engaged in it," he said.

Mr Clark reminded his audience that Mrs Margaret Thatcher, the Prime Minister, was firmly opposed to economic sanctions against South Africa.

He said sanctions would not promote the climate for political reform but would damage Britain's economy and create business opportunities for competitors such as France, West Germany and Japan.

Restrictions imposed by the Government were "aimed narrowly and specifically at the South African Government" to demonstrate British official abhorrence of the apartheid system. The restrictions include an embargo on trade in iron and steel, krugerrands, arms and oil as well as a ban on Government sponsored trade missions and loans.

Within the limits of these obligations, British companies were free to make their own decisions on trade with South Africa, Mr Clark said. The Government's role was not only to support companies once they had made such decisions, but also to provide market intelligence.

Britain had this year "done very well" in business with South Africa, its 19th largest foreign market. Exports rose by 11 per cent in the first nine months, creating a surplus of £206m ($368m) in Britain's favour, he added.

Job losses may follow Ruhr cuts

Continued from Page 1

Huckingen steel mill, the three companies said.

The Mannesmann plant makes steel for the company's pipe production operations, which have in recent months registered deepening losses.

Closure of Rheinhausen would be decided only after "more intensive study" by the companies, the announcement said.

Further reductions in West German crude steel output have looked increasingly probable in the last few months as a result of progressive liberalisation of the EC's steel quota system.

Krupp and Thyssen, together with Kloeckner, one of the other big German producers, announced last month a merger of their forged product activities to weather heavy international competition.

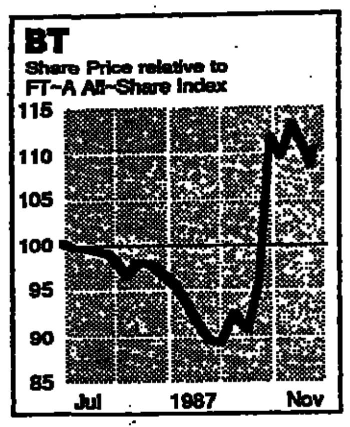
The West German steel industry has complained bitterly at its increasing exposure to cheap competition from both within the EC and outside. This is said to come particularly from nationalised companies in France and Italy which continue to profit from large production subsidies.

The West Germans' competitive difficulties, have if anything, been increased recently by the rise in the D-Mark.

Yesterday's statement said West German attempts to eliminate subsidy-induced distortions in competition had only had "partial success."

THE LEX COLUMN

Storms and strikes at BT



The task of simultaneously satisfying 20m customers, 1.5m shareholders, 230,000 employees and Professor Bryan Carsberg, would test the most superhuman management and is clearly quite beyond the current managers at BT. Having concentrated on cost-cutting to satisfy shareholders, they are now seeking to ingratiate themselves with customers - and investors do not like it, judging by yesterday's 5.5 per cent slip in the share price.

The problem is that investors were persuaded that BT would provide above average growth, for a utility, by gradually shedding labour while tariffs stood still. The international manpower comparisons were always a bit misleading, given the antiquity of the BT system; and now the consumer rebellion has not just slowed the reduction target of 5,000 a year, it has also caused staff numbers to rise by 400 at the interim stage. There are some special cost factors - storms, strikes and a rising depreciation charge - but some of those excuses will run out long before the goal of rising quality and falling costs is reached.

Meanwhile the revenue flow is under pressure from the regulators and a possible slow-down in international income from City users, while digital connection is coming to the rescue with agonising slowness. This all suggests that earnings growth next year, and possibly into the early 1990's, will slip back into single figures, even without a recession. At least BT's defensive strength, and rising yield, makes this a good time to flush out the bad news, even if it kills the recent price outperformance. That might not displease BT's biggest shareholder if it still has its eye on a 1989 sale.

BPB/Redland

Do not weep yet for the last great monopolist of the UK building materials sector, BPB. While it is easy to see the commercial logic behind Redland's decision to take BPB on in the plasterboard fray - the sector should see a strong rise in demand over the next few years against unexciting growth in construction materials overall - yesterday's results did little to convince the market that Redland is up to the task. Earnings growth of 17 per cent did not exactly stun a market which has seen the company's competitors (more heavily concentrated in the buoyant UK market) growing at almost double the rate. And in BPB, it has taken on a formidable rival. The benefits BPB derives from vertical integration will be very difficult to match, and there are obvious risks in Redland's plan to invest £50m to capture up to 30 per cent of a market in which the company itself has no technological experience. Which is not to say that the threat is without substance. Redland could take perhaps 10 to 15 per cent of the market - whether profitably is another question - and shares in both companies continue to languish in the shadows of a threatened price war. But the odds are still on the incumbent.

Unilever

At first sight, Unilever's latest fund-raising exercise looks positively revolutionary. In recent years the group has shown a new readiness to shed unwanted peripheral businesses. But in selling 25 per cent of its German subsidiary for £230m, Unilever might appear to be flogging off part of its European heartland in consumer goods.

But in truth, the exercise is little more than a disguised five-year bank loan. The German banks which proposed the scheme will technically be receiving voting shares, but the voting rights have been specifically waived. The net cost to Unilever of the preference dividends will be roughly equivalent to commercial interest rates, and the shares will be bought back five years later at the issue price.

Although there will presumably be tax angles to the scheme, the real advantage is that it allows Unilever to raise cash at cheap German rates and spend it elsewhere. In the case of a straight loan, this would have the risky effect of mismatching assets and liabilities in currency terms. This way, the parent takes the cash and the subsidiary pays the dividends. It also has the incidental effect of flattering the pre-tax profit line, since the cost of the deal is tucked away in minorities.

FKI Babcock

Tiny FKI Electricals swallowed the much larger Babcock International just six weeks before the stock market crash, and its share price subsequently nosedived by two thirds as investors bailed out of highly geared companies with big dollar exposures. Yesterday, the renamed FKI Babcock reported nearly tripled first half pre-tax profits of £13.2m, and went to considerable lengths to convince the stock market jeremiahs that their concerns were unfounded. It has already consolidated its various headquarters, replaced a third of Babcock's managers, temporarily halted Babcock's capital spending and should have shed 4000 workers - 12 per cent of the total - by next February. Because of the considerable freedoms of acquisition accounting, the net saving of £50m should flow straight through to the bottom line in its next financial year. If all goes well the group should then be making around £110m pre-tax which puts its shares on a prospective multiple of around 6.5. This explains the 12p jump in the shares to 104p yesterday. However, it would be very surprising if FKI could raise anywhere near as much from selling Babcock's assets now as before the crash.

Plessey/Ferranti

The stock market's immediate reaction to the news that Plessey was buying Ferranti's semiconductor operations for £30m was that it was a better deal for the seller than for the purchaser. Ferranti may be selling out at a substantial discount to book value, but it is leaving a business which has gone sour, partly because of the financial problems of some of its customers. Plessey, by contrast, is doubling the size of its exposure to the volatile world of semiconductors, and while it has consolidated its European leadership in its specialist niche, it still ranks well down the world league. The good news is that until now it has been far more successful in semiconductors than Ferranti, and it appears to have given up any ambitions it might have had to buy the low-margin semiconductor business of Inmos.

World Weather

[illegible]			

Arab hang glider attack on Israeli army base

Continued from Page 1

jumpy. Shocked out of their recent complacency over the apparent success of the "security zone" in insulating Israel proper from attack, since the army's withdrawal from Lebanon in mid-1985, Israelis yesterday rallied around in a characteristic display of national solidarity in times of trouble.

As mourning crowds attended funerals at military cemeteries around the country for the six dead soldiers, television journalists on strike for over seven weeks were expected to return to work last night.

It had been the worst incident of its kind since March 1978, when sea-borne Palestinian guerrillas hijacked two buses on the coastal highway, killing 33 people. But not since the October 1973 war had so many soldiers been killed at one blow inside Israel.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Friday November 27 1987

Plessey to buy Ferranti chip unit for £30m

BY DAVID THOMAS IN LONDON

PLESSEY, the UK electronics group, yesterday announced its intentions of becoming a world-class company in specialised semiconductors when it acquired the semiconductor operations of Ferranti for £30m ($53.7m) in cash.

This brings together the two largest UK-owned chip companies to create a business with 3,150 workers, which is projected to have sales of £130m in the year ending March, made up of £70m from Plessey and £60m from Ferranti.

Sir John Clark, Plessey chairman, said the merged operations would set about boosting its presence overseas. "The whole purpose of this exercise is to develop growth in Europe and the US."

However, he killed the suggestion that Plessey was interested in taking over Thorn EMI's Inmos semiconductor subsidiary. Thorn wants to sell a controlling stake in Inmos, but Sir John said that it was in a different part of the market to Plessey.

The acquisition is a further sign of Plessey's determination to build up its two remaining core operations, semiconductors and defence, having put its telecommunications equipment manufacturing, about half its business, into a joint venture with the General Electric Company. Plessey has shown its commitment to semiconductors by opening a new £50m plant in Plymouth this year.

For Ferranti, it represents the abandonment of a market in which it established a world lead in the 1970s when it was first to offer a particular type of chip which is partly customised for the needs of individual customers, known as gate arrays.

Ferranti progressively lost ground in that market to Japanese and US companies because it lacked the resources to match the marketing spread and technological developments of its foreign competitors. Recently, it has been struggling to make money in its semiconductor operations, which have net assets of £39m.

Ferranti said yesterday it would put the cash raised from the deal into its recently announced merger with International Signal and Control, the US defence contractor.

Plessey said the merger would offer cost savings, leading to at least the same levels of profitability in the combined company as already exist in Plessey's semiconductors. Before the merger, Plessey's chip operations were expected to make profits of £6m-£7m this year and Ferranti's were projected roughly to break even.

The area of Ferranti's business most likely to be rationalised appears to be its discrete components business, in which about 600 workers make parts such as transistors and diodes in a plant in Manchester. This has been loss making and is not an area in which Plessey is active, but Plessey stressed it had made no decisions yet.

Plessey also emphasised that it would want to maintain Ferranti's main semiconductor operations in the North West, because the two companies make a complementary range of products. Plessey is also keen to build on the US presence of Ferranti, which has a chip plant in California, possibly through joint ventures or a further acquisition.

Plessey and Ferranti have concentrated on customised types of semiconductors, known as Applications Specific Integrated Circuits, which many observers believe will take an increasing share of semiconductor sales. Plessey claimed yesterday that it would now be the largest European-owned ASIC company and in the world's top 10.

Their presence in ASICs allowed both companies to avoid the worst effects of the world's semiconductor slump.

Canute James reports on the battle for control of the world's leading rum producer

A private quarrel shakes up the Bacardi group

BACARDI, the family-owned distiller which is the world's largest rum producer, is caught in a quarrel between members of the Bacardi family over the structure of its ownership.

The row turns on the desire of one faction of shareholders, led by Mr Manuel Luis del Valle, president of Bacardi, to privatise the company, putting ownership in the hands of a few shareholders. This has been opposed by Mr Adolfo Comas Bacardi, whose reward for objecting was his removal as company vice president.

Also sacked were his brother, Mr Toten Comas Bacardi and two cousins, Mr Jorge Alberto Bacardi and Mr J. Alberto Bacardi.

"We are planning to stop the privatisation, one way or another," said Mr Comas Bacardi. He has filed a petition with the US Securities and Exchange Commission, arguing that the move to privatisation was illegal because the company had more than 300 shareholders. Federal regulations say a private company must have fewer than 300.

"Bacardi Corporation went public in the 1960s to have its stock traded, but there was not much trading," Mr del Valle said. "Our attempts to be public were unsuccessful. People who bought Bacardi shares kept them for investment, and became emotionally attached to the shares."

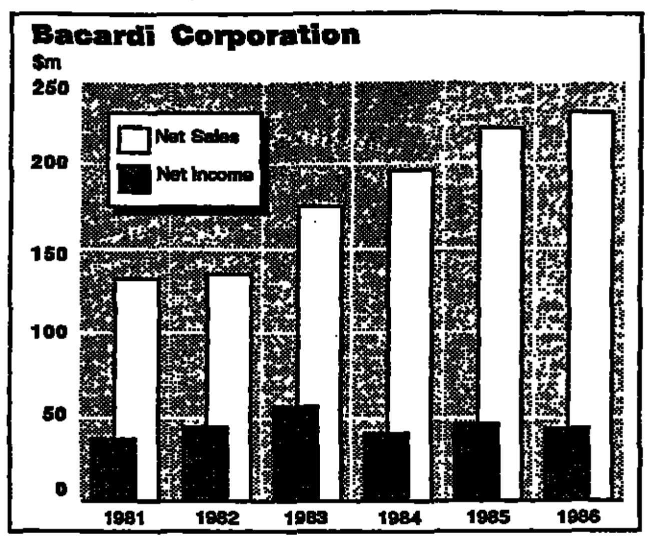
Mr del Valle argued that the decision of the SEC would not affect company operations. "If the SEC says no to privatisation it will not affect us."

Local analysts disagree, suggesting that a protracted row over the structure of its ownership could harm one of Puerto Rico's largest and best-known companies.

The company was started in neighbouring Cuba 125 years ago by Don Facundo Bacardi y Maso, but moved its base to Puerto Rico after the Castro revolution. It is now the only public company in the Bacardi group, which includes Bacardi International in Bermuda, Bacardi and Co. in the Bahamas, Bacardi Imports of Miami and Barcadi y Compania of Mexico.

In August, Bacardi bought back 3.6m shares from Hiram Walker International, the Canadian distiller which is 51 per cent owned by Allied Lyons of the UK. Hiram Walker had a 12.7 per cent stake in Bacardi Corporation and Bacardi y Compania SA. The buyback cost $106m.

Company sales totalled $234.3m last year, $14.1m more than in 1985. For the Puerto Rican economy, Bacardi is important not only for the 800 workers it employs. The company contributes $6m in income taxes each year and about $200m in federal excise taxes, most of which is paid to the Puerto Rican administration. Bacardi is the single largest client of Navieras, the government-owned shipping company, and of Owens-Illinois, the glass manufacturer.



It produces the top-selling distilled liquor in the US, leading gin, whisky, scotch, vodka and bourbon.

"Bacardi's success is based on the fact that we are dedicated to one product," Mr del Valle said. "This has given us an opportunity to concentrate on one product. We offer a product which is an extremely mixable drink."

Mr del Valle said the decision to take the company private was taken by the board, which did not feel it was worth Bacardi Corporation spending $250,000 to comply with SEC reporting regulations. The board had decided that shareholders were deriving little benefit from the company's publicly held status.

This followed a reverse stock split in which every 1,000 shares of common stock at $1.00 each were exchanged for one new share of common stock at $1,000 per share.

"It is a little ridiculous to say that the cost of reporting to the SEC is a factor in privatisation," said Mr Comas Bacardi. "There are other reasons. The most important is that they will not have to do that reporting, so they will be able to enter easily into business arrangements such as mergers and acquisitions or selling parts of the company. They will therefore not have to report this until after the fact."

Saying that he represented 20 per cent of company stockholders - who, he said, numbered at least 500 - Mr Comas Bacardi disclosed that in one year Bacardi and Company and Bacardi International, both privately owned, recently lost $60m through poor internal controls.

"We feel that having a big company like Bacardi remaining public will make management accountable for any transaction they do behind the backs of shareholders."

He had seen reports which indicated that Bacardi was talking with other companies, including Guinness, the international drinks group, and Seagram, the Canadian drinks group, about possible mergers.

But Mr del Valle dismissed this as "ridiculous. We are growing at a rate of between 3 and 4 per cent per year. We have a very good business climate. I think the company will continue to grow. There are no plans for any takeovers or mergers and we have not been subject to any takeover offers."

He admitted, however, that Bacardi was looking for other sources of income, particularly in businesses which fitted the corporate culture. Bacardi recently took over Coca-Cola's operations in Puerto Rico.

Mr Comas Bacardi, who said he hoped a hearing by the SEC would not be necessary to settle the dispute, has moved to strengthen the hand of the dissidents by filing a suit to force the transfer of about $10m of Bacardi stock into 238 newly created family trusts, increasing the number of shareholders.

All this Mr del Valle dismisses as having no effect on the management of Bacardi or the way it operates. He promises that corporate policy will not change.

Such is the nature of the row, however, that there is even disagreement between the two factions about its real cause. "This situation represents a family argument," Mr del Valle said. "These are really passionate affairs that have no logic."

But says Mr Comas Bacardi "It is not a family quarrel, but family is involved. We keep smiling with each other as we did before.

Aachener shows gain

BY HAIG SIMONIAN IN FRANKFURT

AACHENER UND Muenchener, the West German insurance group which earlier this year bought a majority stake in Bank fuer Gemeinwirtschaft (BfG) has had an "extraordinarily good" year so far, based on figures to September, said Mr Helmut Gies, chief executive of the holding company, Aachener und Muenchener Beteiligung (AMB).

Income from insurance this year is running at a gross DM47m ($28m), while AMB had already booked DM40m as its share of BfG's profits in 1986, he said. As a result, he forecast an unchanged 25 per cent dividend in 1987 on AMB's increased share capital.

The group, which will have a "war chest" of over DM200m by the year end, made DM410m in July from selling its 37.2 per cent stake in Nordstern insurance to the Swiss Winterthur group, and DM26m from the simultaneous sale of its interest in Nordstern's life activities.

Mr Gies, joined by Mr Thomas Wegscheider, chief executive of BfG, gave preliminary details of how the two companies plan to work together

Blue Circle buys stake

BY MIKE SMITH IN LONDON

BLUE CIRCLE, the British cement company, has acquired 2.6 per cent of Birmid Qualcast, the UK central heating boiler to lawnmower group.

Blue Circle, which began acquiring the 1.9m shares last month, said it viewed Birmid as a good investment and was keeping all of its options open.

Any bid would almost certainly be fiercely fought. Mr Alan Emson, Birmid finance director, said Blue Circle had approached the group in September for informal merger talks.

Analysts said last night, however, that a bid was likely. "You do not buy 2.6 per cent of a company just for the hell of it," said one.

Birmid, which in February rebuffed a merger approach from engineering group Hepworth Ceramic, disclosed Blue Circle's stake after its shares rose from 200p in early trading yesterday to 224p. At the end of the day they were at 244p.

Sandvik profits up 4%

BY SARA WEBB IN STOCKHOLM

SANDVIK, the Swedish cemented carbide and special steels group, showed a 4 per cent rise in profits (before appropriations and taxes) to SKr1.37bn ($225m) in the first nine months. Sales were static at SKr9.33bn.

The group expects invoiced sales for the whole year to reach about SKr13bn, compared with SKr12.7bn in 1986, while profits (after financial items) should "slightly exceed" the 1986 figure of SKr1.72bn.

Sandvik showed a 12 per cent rise in profits in the third quarter to SKr449m, helped by higher invoicing and lower raw materials costs, which it said was partly a consequence of the lower dollar.

The group said the lower dollar means an overall slight improvement for Sandvik since it buys raw materials in dollars and sells most of its products in Europe.

Cemented carbide sales slipped 1 per cent to SKr4.97bn while profits (before non-recurring items) edged up 1 per cent to SKr951m. Steel sales fell 2 per cent to SKr2.97bn.

Costs check German bank results

BY HAIG SIMONIAN IN FRANKFURT

PROFITS at Dresdner Bank and Commerzbank, West Germany's second and third largest commercial banks respectively, fell appreciably for the first 10 months of 1987 following higher costs and the first effects of last month's stock market collapse.

The downturn has been sharpest at Dresdner, where partial operating profits at parent company level declined 16 per cent to DM639m ($384.9m).

Commerzbank made DM566m at parent company level in the period, 14 per cent down from its DM659m profit at the 10-month stage last year.

Neither bank disclosed its full operating profits, which include gains from own-account trading, for the period. But both said full earnings fell more sharply than their partial results.

Mr Wolfgang Roeller, Dresdner Bank's speaker (chief executive), said it had not been possible to repeat last year's extraordinary own-account trading gains.

Mr Walter Seipp, Commerzbank's speaker, said successful foreign exchange trading helped the bank's own-account earnings but these were still down, not least because of recent developments in the securities markets.

The figures were slightly better at group level at both banks, with partial operating earnings falling slightly less sharply.

Commerzbank made DM932m at group level and Mr Seipp said the bank was still looking to a "satisfactory result" for the year as a whole. However, he ruled out any change in the dividend.

Total group assets increased by 3.9 per cent at Dresdner to DM204bn, and by 7.1 per cent at Commerzbank to DM159bn.

Dresdner's interest earnings at parent bank level increased marginally, despite a 0.2 per cent fall in its interest margin. Mr Roeller said fee income, which rose by 0.9 per cent developed more favourably than expected.

Similarly, interest earnings at Commerzbank rose by 0.8 per cent to DM1.8bn, while fee income increased to DM812m.

However, earnings at both banks have been affected by substantial cost rises, notably in personel. Staff costs at Dresdener were running 5.3 per cent higher while those at Commerzbank increased by some 7.6 per cent, partly due to staff increases in both cases.

Mr Seipp said Commerzbank hoped to extend its existing co-operation with Credit Lyonnais, and he did not rule out the possibility of eventual cross-shareholdings between the two in view of the planned free market in financial services in the European Community in 1992.

Commerzbank hoped to be the only foreign "hard core" shareholder in Credit Lyonnais when it was privatised, with a stake of between 5 and 10 per cent, said Mr Seipp.

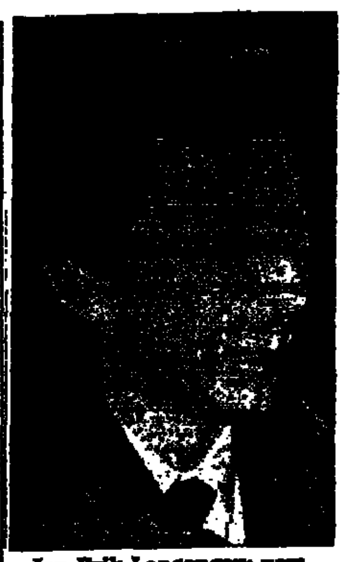
The bank had no plans to follow Deutsche Bank by buying into either a management consultant or an estate agency, he added.

Commerzbank said it planned to develop as a European and not merely German bank. "We do not want to be a German regional bank in this European market, but play an important part in the concert of the European banking community."

This would require stronger growth and more co-operation, an example of which would be the mutual exchange of stakes with Credit Lyonnais with which Commerzbank has links through the Europartners banking group.

The planned privatisation of Credit Lyonnais is a precondition for any cross-shareholding, the Commerzbank chairman said.

He added specialised firms should retain the freedom of action that came from remaining independent.



Jan Erik Langangen: new Statoil chairman

Minister confirms Statoil reshuffle

By Karen Fossli in Oslo

MR ARNE OEIEN, Norway's Oil and Energy Minister, yesterday confirmed the appointment of Mr Jan Erik Langangen, the managing director of Storebrand, Norway's largest insurance company, as the replacement for Mr Inge Johansen, Statoil board chairman.

Mr Johansen withdrew from his post with five other board members last week in a shake-up of the state oil company after revelations of a NKr5.4bn ($843m) cost over-run on a refinery and terminal expansion project.

Two women were also appointed to the new board. The former board had only one female representative. It is not yet clear if Mr Arve Johnsen, Statoil's president, will be replaced.

Many opposition politicians yesterday voiced their disquiet at Mr Oeien's choice. They believe it will not be long before the Statoil board will face further changes.

Mrs Gro Harlem Brundtland, Prime Minister, is also understood to be disappointed with some of the appointments.

MPs singled out Mr Harald Norvik, currently managing director of Astrup Hoeyer, a member of Norway's big industrial group Aker Norcem, as posing some conflict of interest. Aker Norcem is one of Statoil's largest suppliers of goods and services.

Mr Langangen, the new chairman, will only be a part-time board member in spite of the Oil Minister's call for a more active participation in Statoil affairs by the new board.

Mr Langangen, 37, was a former Statoil director between 1975 and 1983.

Norwegian ore smelter seeks government aid

By Our Oslo Correspondent

TYSSEDAL Smelter Works, the Norwegian group which produces ilmenite (black ore of titanium), has run into acute liquidity problems during its commissioning phase and is asking for a government cash injection of more than NKr150m ($23.4m) to keep it afloat.

The company blames its main supplier and contractor, Elkem, the metals group, for most of the group problems.

Tyssedal says that capital, which should have been used during the commissioning phase of the smelter works, has had to be diverted to get Elkem's equipment working properly.

The smelter works, which was shut down yesterday, has been operating at less than 20 per cent of capacity.

In its budget for 1988, the company said it needed to operate at 50 per cent capacity, at least.

According to ministers, the Government will be unable to meet Tyssedal's demands before early next year, if at all.

The company's board is to meet to decide on its next actions.

Continental to expand in US

BY ANDREW FISHER IN HANOVER

CONTINENTAL, the West German tyre group, plans to lift capacity in its newly acquired US plants by investing more than $100m and to increase spending sharply in Europe.

Mr Horst Urban, chairman, said Conti, which has just bought General Tire in the US for $650m, intended to be ready for an expected surge in demand from Japanese car-makers building plants in the US.

He forecast that with the extra capacity there, Japanese producers would export heavily to Europe, taking advantage of the weaker dollar. "We will have a second Japanese invasion here in the next few years."

Japanese cars already account for 15 per cent of the German market through direct exports.

Mr Urban noted that US concerns also aimed to export more vehicles to Europe, which would further help General Tire.

Both the new US subsidiary and Conti in Europe were working at full capacity, Mr Urban said.

Excluding General Tire, Conti will raise capital spending to well over DM300m ($180m) in 1987. Future spending commitments will top DM400m for the first time.

In the first nine months, Conti's turnover totalled DM3.5bn, a rise of 1 per cent. While the car market in Europe remains buoyant, tyre makers are under pricing pressure from cost-conscious car producers. Conti's volume sales of car tyres rose by 6 per cent.

For the full year, Conti expects turnover (without General Tire) to be about the 1986 level at DM5bn. The firmer D-Mark will cost Conti about DM70m in foreign revenues.

Commenting on the dollar's slide, Mr Urban said "the pain threshold" had been reached with the US currency at DM1.85. Lately it had been below DM1.70.

Profits were somewhat better in the first nine months, he said. For the full year, he added: "We expect a group result at the previous year's level, with the possibility of an improvement."

In 1986, net profits were 48 per cent higher at DM114m.

Mr Urban cited as positive factors higher sales of costlier high-speed and winter tyres, the strong European car market, and lower interest costs through a DM100m cut in indebtedness as cash flow rose.

Mr Urban's profit forecast was more subdued than two months ago, when he said earnings per share should rise by 10 per cent in 1987 and in 1988.

He said he was still confident of achieving this in 1988, though 1987 now looked tougher. "But I don't think we will have to retract our earlier statement."

BASF profits edge up at nine months

BY DAVID MARSH IN LUDWIGSHAFEN

BASF, the large West German chemicals group, nudged pre-tax profits ahead by 0.4 per cent to DM2.16bn ($1.3bn) in the first nine months of 1987. Sales over the period declined 2.3 per cent to DM30.16bn.

BASF is the last of the big German chemicals companies to report nine-month results, all of which have shown an improved trend on last year in spite of problems caused by the fall of the dollar.

For 1987 as a whole, BASF expects at least to maintain last year's pre-tax profit level of DM2.63bn and looks likely to pay an unchanged DM10 dividend. Turnover is projected at just under DM40bn, against DM40.47bn in 1986.

Like Bayer earlier this week, BASF put an optimistic gloss on the latest financial market turbulence. Mr Hans Albers, chairman, said the fall in the dollar to less than DM1.70 hindered some sectors such as crop protection and dyestuffs and improved competitors' positions in areas such as potash and magnetic tapes.

Mr Albers said that BASF's overall vulnerability to dollar fluctuations was reduced by its strong factory presence in the US and its well-balance product mix.

More than 90 per cent of BASF's sales in North America - which account for more than 20 per cent of group turnover - are produced there.

The chairman said the company was coping with weak spots in the fertiliser sector which would make an operating loss this year, as well as in the Wintershall refinery business, which might break even.

Group capital investment for next year is put at DM3bn against DM2.8bn this year.

The company has come in for more domestic political criticism over an accidental spillage of insecticide into the Rhine.

Mr Hans-Otto Wilhelm, Environment Minister in the state of Rhineland-Palatinate where BASF is based, criticised the company for delaying an announcement of the mishap.

The several hundred kilos of vinclozolin insecticide which washed into the river were said by BASF to be in a concentration harmless to humans or fish.

The company said the total number of such accidents to date this year had fallen to 35, from 60 last year.

Creditanstalt in Moscow move

By Our Vienna Correspondent

CREDITANSTALT, Austria's largest bank, yesterday opened a representative office in Moscow, the first Austrian bank to do so.

Mr Hannes Androsch, general director, said Creditanstalt's presence in Moscow would facilitate trade between the two countries.

Creditanstalt already has representative offices in Budapest and Prague and holds a minority share in the Central European International Bank, which is based in Budapest.

Belgian bank turns in 35% earnings gain

By Tim Dickson in Brussels

BANQUE BRUXELLES Lambert (BBL), Belgium's second-largest bank, yesterday reported a 35 per cent jump in net profits to BFr3.63bn ($104.3m) for the year ended September.

The result continues the impressive growth of the previous two years, when the equivalent figures were 24.4 per cent and 39 per cent respectively. However, proceeds from rights issues boosted the 1984-85 result.

The bank said yesterday that the financial period had been marked by a substantial rise in deposits and a notable increase in loans to the private sector.

It added that the cautious policy of building up reserves over several years had allowed it to cover the risks on countries which had rescheduled their debt.

BBL's calculations were more conservative than if it had used the quotations on the "grey" market for such doubtful loans.

Dutch insurer sees 15% decline

BY OUR FINANCIAL STAFF

AMEV, the Dutch insurance group, yesterday forecast a profits decline of between 10 and 15 per cent for 1987 following lower results for the first nine months.

On unchanged revenue of Fl 5.7bn, net profits for the nine months were Fl 211.7m ($113.2m) against Fl 230.5m a year earlier. Per share earnings were Fl 3.88, down from Fl 4.29. For the whole of last year, profits totalled Fl 322.5m.

Earlier this week, Nationale-Nederlanden, the largest insurance group in the Netherlands, announced modestly higher nine-months earnings and said overall profits in 1987 would be at least maintained.

Hindujas plan to diversify Ashok

BY JOHN ELLIOTT IN BOMBAY

THE INDIAN-BORN Hinduja *family, which has widespread* international trading and business interests, hopes to develop industrial and financial activities in India with an annual turnover of Rs20bn to Rs30bn ($1.5bn to $2.3bn) during the next five years, following its current takeover of Ashok Leyland, a Madras-based truck and bus manufacturer, from Rover Group of the UK.

This would make it one of the largest companies in the country. The main investment areas planned include diversification of Ashok Leyland into car manufacture and other products, development of power station and petro-chemical projects, and operating international financial services. Pharmaceutical manufacture is another area believed to be under consideration.

The Hindujas belong to the Chikarpur trading caste from the River Indus region of Sind, in what is now Pakistan. They moved to Iran in 1919 where they built up immense family wealth and developed trading and other activities which they have always kept as secret as possible, advertising only their considerable charitable activities and extensive high-level political *contacts.*

The family estimates that its privately-owned worldwide business - controlled by four brothers in London, Geneva and Bombay - has had an average annual turnover of *$6bn to $8bn in the* past four years. Now the family wants to expand into industry and commerce, and Mr Srichand P. Hinduja, the elder brother, says that they recognise this means they must develop a slightly higher public profile.

Along with several other rich non-resident Indians, the Hindujas have been trying to gain an industrial base in India for several years. But they were unsuccessful until the end of last month when, in partnership with Fiat Iveco of Italy, they won 39 per cent of Ashok Leyland and 51 per cent of an allied company, Ennore Foundaries, from Rover for a total of about £27m ($48.5m).

These controlling stakes were held by Leyland Rover International Holdings which is now owned by a new Luxembourg-registered company, Machen Iveco Fiat Holdings. Machen is 70 per cent owned by the Hindujas and 30 per cent by Fiat, and its board consists of members of the Hinduja family and Fiat representatives. Two non-family executives from the Hinduja businesses and one Fiat executive have been appointed by Machen to the Ashok Leyland board.

The Hindujas say that Ashok Leyland, which has an annual turnover of about Rs4bn, has the necessary government industrial licences to expand from commercial vehicle production into cars, and they are believed to be talking to Volkswagen and BMW as well as Fiat about the possibilities. They also want to expand into allied areas, including tractors, using Fiat's technology and *link-ups to raise technology and* boost exports.

Other projects in India include bids totalling $2bn made jointly with Bechtel to develop three power stations in Bombay, and the states of Karnataka and Orissa, and a petroleum blending plant. The family is also believed to be bidding to enter the pharmaceutical industry by acquiring a stake in IDL Chemicals of Hyderabad in southern India from Dyno of Norway.

There is also a Bombay-based international financial services company, Aamas. This is linked *with a company which was* started in Geneva eight years ago by the Hindujas with Credit Suisse First Boston, and is now entirely owned by the family. Aamas is to be expanded at a *time when India is short of* expert private-sector financial expertise in areas such as portfolio management and underwriting.

Brierley sees more NZ corporate upsets

BY DAI HAYWARD IN WELLINGTON

*MR RON BRIERLEY, New Zeal*and's leading investor, yesterday forecast that the collapse in equity markets would bring further corporate upsets in that country, but stressed the solidity *of his own group.*

He told the annual meeting of Brierley Investments (BIL) that the continuing uncertainty and volatility had probably affected New Zealand more than most countries. He warned that "further casualties can be expected to prolong the unsettled conditions."

Many of the newer listings in New Zealand in recent years had been of "diminishing quality" and these companies were under great strain in the present climate.

By contrast, he argued, share prices of BIL along with Tozer Kemsley & Millbourn (TKM) and Industrial Equity, its UK and Australian subsidiaries, are all well undervalued as a result of the collapse considering their underlying strength and the solid industrial and commercial companies in their respective groups.

Telling shareholders, at the 3,500-strong meeting in Auckland, that the company's annual report was already "somewhat *outdated," Mr Brierley said con*ventional wisdom had long anticipated the dramatic share market fall but with an apparently limitless inflow of capital this had always seemed far away.

Increased share activity by the public - two years ago BIL had 49,000 shareholders and now has 167,000 - meant the shake-out had been more widely felt than before.

So-called entrepreneurial companies had been particularly hard hit in recent weeks - not without justification, he added. BIL shares were in this category but he questioned whether the *degree of fall was merited.*

Referring to TKM, Mr Brierley said its share price for most of this year had been between £1.30 and £1.50. This gave a capitalisation of more than £300m *(US$538.5m). At the current 60p* level the capitalisation had plummeted to £130m.

"This seems a rather irrational re-rating of a visibly thriving trading concern. Its only connec*tion with the stock market is an insignificant portfolio of less* than £10m."

BIL's 1987-88 year would obviously be difficult but it could call on its accumulated strength to *prosper, he added.*

Texaco deal fuels speculation over Bell

By Bruce Jacques in Sydney

SHARES IN Mr Robert Holmes a Court's flagship companies firmed yesterday on news that the troubled Australian entrepreneur had sold half his interest in Texaco of the US for A$504m (US$351.5m).

Bell Group shares added 20 cents to A$2.30 and Bell Resources 8 cents to A$1.76 as speculation increased that Mr Holmes a Court had re-established enough corporate strength to launch a new takeover bid.

Added to recent sales of property and of shares in Broken Hill Proprietary, the Texaco deal means Mr *Holmes a Court's companies* have raised more than A$1bn in the past fortnight. The asset disposals must have gone some way towards satisfying the group's bankers that it has the liquidity to re-enter the takeover arena.

Mr Holmes a Court sold 12m Texaco shares to Mr Carl Icahn's Trans World Airlines in the US at US$29 a share. TWA also has the first right of refusal to purchase Bell Resources' remaining 12.09m Texaco shares. Bell has already realised a *pre-tax* book loss of A$92m on the deal (reducing to A$62m after minority interests are deducted) and faces a further book loss on the remaining shares.

The Australian stock market, however, generally saw the sale as reducing uncertainty about Mr Holmes a Court's corporate future. Analysts believe he is now likely to launch a takeover bid for an Australian company, largely because the domestic market has fallen further than those in the US and the UK.

But he still *faces* a dilemma in that a bid for either of his two most likely quarries - BHP, where he controls 28.5 per cent, and Pioneer Concrete Services, where he has 18 per cent - would probably be negative for his cash flow.

It is unlikely that banks would lend on such a proposition, especially in the bear market, and Mr Holmes a Court no longer has any realistic option of using his scrip as consideration.

● Mr Alan Bond, Perth's other leading entrepreneur, is to take full control of St Joe Gold in the US by paying US$51m for the remaining 9.7 per cent still in public hands, Our Financial Staff adds.

Dallhold Investments, his private company, this summer bought the majority of the company from Fluor for $500m, a sum which also included Fluor's interest in a few other gold properties. It expects to complete the deal by the end of this year.

Southern Life increases profits

BY JIM JONES IN JOHANNESBURG

SOUTHERN LIFE, the South African life assurer, increased assets and profits strongly in the six months to September but Mr Neal Chapman, the chief executive, warns that the subsequent stock market crash will have sharply reduced the balance sheet value of assets.

Net premium income rose to R576m ($292m) from R409m in the same period of 1986, investment income increased to R284m from R251m and the net attributable profit was R32.0m against R25.9m.

Total assets calculated on end-September share values were R9.13bn against R6.58bn a year earlier and R7.72bn at end-March this year.

Per share earnings are now calculated as being half of the previous year's total as full actuarial valuations are carried out at the year-end. As a result, interim earnings rose to 19.5 *cents a share from 15.8 cents and* the interim dividend has been lifted to 13 cents from 9.6 cents.

Southern Life is controlled by Anglo American Corporation, South Africa's largest mining house.

● **Volkskas**, South Africa's fourth largest commercial bank, lifted net profits 15.8 per cent in the six months to September to R29.3m from R25.3m, **Our Financial Staff adds.**

Per-share net earnings were 91.9 cents compared with 85 cents. Capital was increased following a deal in which Volkskas took 10 per cent of UBS Holdings, which owns the United Building Society, the country's biggest mortgage lender. UBS in turn obtained a 30 per cent stake *in Volkskas.*

Asahi Optical stages strong recovery

BY IAN RODGER IN TOKYO

ASAHI OPTICAL, the maker of Pentax cameras, has reported a reduced pre-tax loss of Y1.4bn ($10.4m) in the six months to September and expects to return to profit in the second half.

In the first six months of last year, the company had a loss of Y2.1bn. Asahi, which exports nearly 60 per cent of its output, attributed the latest losses to the impact of the strong yen.

Sales rose 27.1 per cent to Y32.2bn overall, while turnover in the camera division alone rose 33 per cent to Y21.4bn, thanks in part to the success of the new Zoom 70 compact camera. The computer-aided design and medical equipment divisions also enjoyed improved sales.

The company recorded a net profit of Y858m after taking a Y4.6bn profit on asset sales.

Asahi's forecast of a Y700bn pre-tax profit in the second half is based on the assumption that the US dollar will be worth an average Y135 during the period.

JAL sale date confirmed

THE JAPANESE Ministry of Finance yesterday confirmed that the sale of its *holding* in Japan Air Lines will take place on December 15 to 17, **writes Carla Rapoport in Tokyo.**

The JAL sell-off, which should raise close to $6bn if successful, marks the *second large-scale* privatisation effort in Japan. The first was the wildly successful offer of shares in Nippon Telegraph and Telephone.

The JAL sale, however, will be *different as most of the company's shares are already in private* hands. The Government intends to *sell* its remaining stake of 48.09m shares, 34.5 per cent of the total, in the December sale.

The Finance Ministry said the Government's shares would be offered at a 3.5 per cent discount *to JAL's closing price on Decem*ber 14. As the market has been relatively strong in recent days, analysts expect the fund-raising effort to go smoothly. JAL's shares have been trading at about Y18,000.

Belgium's Y55bn issue meets positive response

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

THE INTERNATIONAL bond markets were almost uniformly quiet yesterday; the US Thanksgiving Day holiday provided dealers with the excuse for leaving work early.

In London, the only area of activity was triggered by a long-awaited issue in Euroyen for **Belgium** through Nikko Securities (Europe). As expected, the Y55bn issue came with a five-year maturity, a coupon of 5⅛ per cent and an issue price of 102⅛.

The reaction to the issue, regarded as fairly priced, was generally positive and it closed the day bid at a discount 1.65, within total fees of 1⅞ per cent. The issue proceeds will be used to prepay a $400m floating rate note due in December 2004, launched in 1984.

This was despite some overnight softness in the Japanese government bond market. Dealers reported that the yield on the issue, of about 5.2 per cent, was enough to prompt switching out of seasoned Euroyen issues. It also was in line with the market preference for sensibly-priced issues from high-rated borrowers.

Nikko said the issue had met substantial demand from Europe, which should allow the issue to remain fairly liquid.

The Canadian province of **Alberta** launched one of the largest straight bond issues ever to have been made in the Swiss market. The SFr400m bond carries a 5 per cent coupon and a 100¼ issue price, and a 10-year maturity and was lead managed

INTERNATIONAL BONDS

by Union Bank of Switzerland. It was well received - highly-rated Canadian borrowers are popular with Swiss investors - and quoted in the grey market at around less ⅛ bid.

The other new public issue was a five-year SFr70m issue for **Mitsubishi Mining and Cement**, guaranteed by Mitsubishi Bank. It carries a 4⅝ per cent coupon and a par issue price and is being lead managed by Credit Suisse.

In the Swiss secondary market, prices ended narrowly mixed. A SFr120m issue for **USF&G** with a 5½ per cent coupon closed its first day's trading at 97, 2½ points below issue price.

While the Eurodollar bond market ended little changed, activity in West Germany was also subdued. Domestic D-Mark bonds lost up to 40 basis points amid market uncertainty, although there was still some demand for short maturities. The weaker performance of New York on Wednesday night and an easier dollar sent conflicting signals to the market.

Investors are awaiting the announcement next Tuesday of the terms of a new **Federal Post Office** issue. An issue, perhaps of $2bn of 10 years is expected, priced in line with the last Post Office issue with a 6⅜ per cent coupon, which is yielding about 6½ per cent.

Euro D-Mark issues were easier by about ¼ point in quiet trading.

Eurofima, the Swiss-based rolling stock financing concern, made a DM50m private placement through BHF-Bank. The issue carries a December 1993 maturity, and a 5⅝ per cent coupon and a par issue price. The lead manager quoted it at 99¼ bid.

Eurocredit business hots up

BY OUR EUROMARKETS CORRESPONDENT

A FLOOD of corporate borrowers have moved in this week to tap the active syndicated loans market.

The largest borrowing is a $600m revolving credit for **American Brands**, the US tobacco group. The others include a $250m financing for **Statoil**, the Norwegian state oil company, a $200m credit for **Marriott**, the US hotelier, and an Ecu150m multi-option facility for **Dollfus Mieg** (DMC), the French glass maker.

The American Brands deal, being arranged by Citicorp, carries a three-year maturity, a commitment fee of 6.25 basis points, a margin on drawings of 20 basis points with a fee of an extra 5 basis points if more than half drawn. There is provision for the margin to be raised to 25 basis points if the company's long-term debt rating falls below a certain level.

An 11-bank underwriting group has already been put in place for the Statoil facility, being arranged by Bank of Tokyo International and to be used partly to support the company's commercial paper programmes.

The committed portion has a 6½-year term and a 6.25 basis point margin, and there is a facility fee of 5 basis points which rises to 6.25 basis points after June 1991. Utilisation fees are payable to a maximum of 12.5 basis points if more than two-thirds drawn.

The Marriott deal, being put together by Credit Suisse First Boston, carries a facility fee of 10 basis points and a margin on drawings of 20 basis points. It carries a 7-year term.

The DMC facility, being arranged by Credit Lyonnais, has a 5-year maturity and a margin on Eurocurrency drawings of 8.5 basis points, and on domestic French francs of 17.5 basis points. There is a facility fee of 7 basis points, a utilisation fee if more than half drawn of 5 basis points, and front-end fees ranging down from 7 basis points for a Ecu12m commitment.

United Mizrahi Bank is syndicating a $25m trade facility for the state-owned **National Coal Supply Corporation** of Israel, which provides for six-month drawings to finance coal imports. It pays interest at ⅝ per cent over London interbank offered rate (Libor), and there is a draw-down fee of 5 basis points and a non-utilisation commission of 12.5 basis points.

● Euroratings, the London-based credit assessment agency, said yesterday it had reaffirmed its top E1 plus short-term rating for Statoil after re-examining the company in response to investor concerns.

"The company's credit status is inextricably linked with that of the Kingdom of Norway" despite the lack of direct government debt guarantees, the agency said.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on November 26

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	92⅞	93⅜	0	+0¼	9.53
All Nippon Air 9⅝ 97	100	93⅜	93¾	−0⅛	−0⅜	10.46
American Brands 8⅞ 92	150	97¼	97⅝	−0⅛	−0⅛	9.57
A/S Eksportfinans 7⅝ 93	100	†91½	92	0	−0⅛	9.48
A/S Eksportfinans 7¼ 92	150	93⅝	94⅛	+0⅛	+0¼	9.07
Belgium 9⅛ 92	400	†99¼	99¾	0	−0⅛	9.24
British Telecom 7⅞ 96	250	86½	87⅛	−0⅛	−0⅛	9.94
British Telecom 8⅞ 94	150	†96⅞	97⅜	0	+0⅛	9.46
Canada 9 96	1000	97⅜	97⅞	0	−0⅛	9.41
Canadian Pac 10¼ 93	100	102¾	103⅛	0	+0⅜	10.08
C.C.C.E 7⅞ 91	113	†93¼	93¾	−0¼	−0¼	9.17
C.N.C.A 7¼ 91	150	93	93½	0	−0¼	9.31
Coca-Cola Ent. 8¼ 90	100	†97¾	98¼	0	−0⅛	9.10
Credit Lyonnais 9 91	200	99¼	99¾	−0⅛	−0¼	9.16
Credit National 7⅜ 92	100	93⅜	94	−0⅛	−0⅜	9.17
Credit National 7¼ 91	150	93⅞	94⅜	0	−0⅛	9.04
Denmark 7⅛ 92	500	91⅝	92⅛	−0⅛	−0¼	9.51
Denmark 8¼ 91	300	97⅜	97⅞	+0⅛	0	9.02
E.E.C 7 91	100	93⅞	94⅜	0	+0¼	8.79
E.E.C. 7¼ 93	250	91⅝	92⅛	0	−0⅛	9.25
E.E.C 8¼ 96	100	91¾	92¼	0	−0¼	9.65
E.I.B. 7⅜ 93	100	92⅛	92⅝	−0⅛	0	9.32
E.I.B. 9⅝ 97	150	97⅝	98⅛	0	0	9.71
Finland 7⅝ 97	200	87⅞	88⅜	−0⅛	−0¼	9.89
Finland 7½ 93	200	91¾	92¼	0	0	9.34
Ford Motor Cred 11⅜ 90	100	105⅛	105⅝	0	0	8.57
Gen Elec Credit 10¼ 00	200	101¾	102¼	−0⅛	−0⅛	9.95
G.M.A.C. 8 89	250	†98⅛	98⅝	−0⅛	−0⅜	9.01
G.M.A.C. 8¼ 89	200	†98⅞	99⅜	0	−0⅛	8.80
Hoesch 8¼ 97	100	*†89	89½	0	+1	10.06
Hoesch 7⅜ 92	100	*†94¾	95¼	0	0	8.79
Hoesch 7⅛ 94	300	*†90¾	91¼	0	+0⅛	9.83
Liberty Mutual 8½ 96	150	91⅛	91⅝	−0¼	−0⅜	10.02
L.T.C.B of Japan 8 91	100	†95¾	96¼	−0⅛	−0⅜	9.30
L.T.C.B.of Japan 8 97	200	†86⅛	86⅝	−0⅛	−0⅜	10.37
Merc-Benz Cred 8¼ 92	100	†97⅞	98⅜	0	−0⅛	8.74
Mitsubishi fin. 7⅞ 93	100	†90¼	90¾	−0⅛	0	10.04
Mutual America 7⅞ 92	100	*†93¼	93¾	0	0	9.60
Norway 7¼ 91	500	94⅝	95	−0½	−0¼	8.99
Pepsico Inc 7⅜ 93	200	91⅜	91⅞	0	−0⅛	9.42
Prudential Crp. 8¾ 94	125	†95½	96	−0¼	+0⅛	9.63
Qantas Airways 10⅛ 95	140	102⅝	102⅞	0	+0⅛	9.90
Rep. of Italy 9 90	1000	100½	101⅛	−0⅛	−0¼	8.67
Saab Scania 9½ 91	125	†100⅝	100⅞	0	0	9.24
Saskatchewan 10¼ 92	100	104⅞	105⅜	−0⅛	−0⅛	9.21
State Bk S Aust 9¼ 93	100	97⅞	98⅜	0	0	9.71
Swedish Exp.Crd.7¼ 91	100	93⅞	94⅜	0	−0¼	9.04
Swed Exp Cred 10 92	100	103¼	103¾	0	−0⅛	8.99
Sweden 7 91	250	94⅛	94⅝	+0⅛	+0½	8.77
Sweden 7 92	250	†93	93½	0	0	8.98
Sweden 8¾ 96	200	94¼	94¾	−0⅛	−0⅜	9.73
Sweden 8½ 92	200	97⅞	98⅜	+0⅛	+0⅛	8.98
Taiyo Finance 7⅞ 94	100	†89½	90	−0⅛	−0⅛	10.04
Toyota Mtr.Cred.7⅛ 92	150	†92½	93	+0⅛	0	9.28
Victorian Rep 11⅝ 92	150	106⅞	107⅜	−0⅜	−0¼	9.54
World Bank 7 92	300	†93⅜	93⅞	0	−0⅛	8.88
World Bank 9 97	300	95⅛	95⅝	0	+0⅛	9.70
Yasuda Trust Fin 8½ 93	100	93¾	94¼	0	−0⅛	9.93

Average price change... On day −0⅛ on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Arab Banking 5½ 92	150	†97⅞	98⅜	+0⅛	+0⅛	5.97
Avis Fin.SVS 5⅞ 92	100	*†100	101	0	+0⅛	5.73
Bank of Greece 6½ 95	150	†96¾	97¾	−0⅛	−0¼	6.97
Bank of Tokyo 5¾ 93	100	*†101½	102	0	+0⅛	5.35
Central BK. Turkey 7 92	200	*†100½	101	0	0	6.81
Degussa Int. 6⅛ 97	200	†96⅞	97⅜	−0⅛	+0⅛	6.57
E.I.B 5½ 98	150	†93	94	−0¼	+0⅛	6.37
E.I.B 6 97	300	†98	99	−0¼	+0¼	6.21
E.I.B. 6⅛ 96	300	†99	100	0	+0⅛	6.19
E.I.B. 6⅛ 97	400	†99	100	+0¼	+1¼	6.19
E.I.B. 6⅞ 95	300	†103¾	104¼	−0½	+0⅛	6.18
Euro.Coal& Steel 5⅞ 97	175	†96½	97½	−0⅛	+1	6.31
Eurofima 6¼ 96	100	†100⅞	101⅞	0	+1⅛	6.03
Elec De France 5¾ 97	300	†94⅝	95⅛	−0¼	+1	6.44
Hoesch Int'l Fin.7 95	100	†100¾	101¼	+0½	−0½	6.87
I.A.D.B. 6 97	200	†96¼	97¼	+0¼	+0⅛	6.46
IBJ 5⅞ 92	100	*†102	102½	0	+1½	5.34
Japan Finance 5¾ 97	100	†94	95	−0¼	+0½	6.56
Ireland 6½ 97	300	*†98	98½	0	−0⅛	6.75
Korea Dev BK 6⅝ 93	100	†99½	100½	0	+0⅛	6.61
Malaysia 6 −¼ 94	150	†97½	98	−0⅛	0	6.67
Oesters.Kont.BK.5⅝ 92	200	*†102¼	102¾	0	+1	5.03
Portugal 5¾ 92	150	†99¼	100¼	+0⅛	+0¼	5.80
Portugal 6⅝ 95	150	†101	102	+0⅛	+1⅛	6.36
Royal Insurance 5½ 92	300	*†100⅛	101	0	+0⅛	5.29
Statoil 6¼ 97	200	*†96½	97	0	+0½	6.72
Soc Cent Nuclear 7¼ 95	150	†102¾	103¼	+0⅛	+1⅛	6.68
Steweag 5½ 96	200	†94	95	0	+0⅛	6.35
Tokyo Elec. Power 6 97	300	†96¼	97¼	+0⅛	+2⅛	6.49
World BK. 6¼ 97	600	†100	100¼	−0⅛	+0¼	6.22

Average price change... On day +0 on week +0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5⅝ 96	100	†97	97½	−1¼	−0¾	6.04
Asfinag 5 02	150	†96½	97	+0½	+1⅛	5.32
Bayer W/W 2½ 02	250	†96¾	97	−1¼	+0⅛	2.76
BBL W/W 2¾ 97	100	†81	83	−0½	−0½	5.17
Elec.De.France 5 07	100	†98	98¼	+0⅛	+0⅛	5.15
E.I.B. 4¾ 97	200	†98¼	98½	+0⅛	+0⅛	4.96
E.I.B 4⅞ 97	200	†98	98¼	+0¼	+1⅛	4.88
Enso Gutzeit 5 99	100	†98	98½	0	0	5.20
Ireland 5 02	150	†91	92	+0¼	+0⅛	5.88
Newfoundland 5⅛ 02	150	*†100½	101	0	0	5.05
Polly Peck 6 92	75	†95	96	−1½	−2¼	7.27
Prov.of Manitoba 4¾ 02	200	†99	99¼	0	+0¼	4.86
Prov. of Quebec 5 03	200	†97½	97¾	+0¼	+0⅛	5.22
Qantas Airways 4¾ 97	110	†93¾	94	−0⅛	−0¼	5.58
SHV Holdings 4¾ 94	100	†99½	100	−0⅛	0	4.79
Tiroler 4¾ 97	100	†100½	101	0	+0¼	4.65
TNT 5 95	100	†99⅝	100	+0⅛	+0⅛	5.02
Woolwich B/S 4½ 92	120	†97½	98	0	+0½	5.04
World Bank 5 02	200	†94½	95	0	+0½	5.53

Average price change... On day −0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅞ 94	45	95⅞	96⅜	−0¼	0	5.34
E.I.B 4⅝ 94	40	96½	97	−0½	−0¼	5.23
Elec. De France 5⅛ 94	20	99⅜	99⅞	−0⅛	−0¼	5.19
Kansai Electric 4⅝ 94	60	95¾	96¼	0	+0¼	5.37
Norway 4¾ 92	60	96½	96¾	−0⅜	−0¼	5.12
S.N.C.F. 4⅞ 93	20	98¼	98¾	−0¼	+0⅛	5.19
Sweden 4⅞ 92	50	96⅞	97¼	−0⅛	0	5.08
World Bank 5½ 92	50	102⅛	102⅝	−0¼	0	4.96

Average price change... On day −0¼ on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aegon 5¾ 91 FL	100	99	99½	0	+0⅛	5.97
Aegon 8¼ 89 FL	100	103	103½	0	+0⅛	6.02
Air Products 6¾ 91 FL	100	100⅝	101	0	−0⅛	6.52
Alg. Bk. Ned. 5¾ 91 FL	100	98½	99⅛	0	−0⅛	6.12
Alg. Bk. Ned. 7¼ 89 FL	150	103⅛	103¾	0	0	5.85
Alg. Bk. Ned. 8 89 FL	200	101¾	102¼	0	0	6.00
American Express OC.10 94	40	†99⅜	99⅞	+0⅛	−0¼	10.06
BP Capital 13¾ 92 A$	75	99¾	100⅛	+0⅛	−0¼	13.65
Creditanstalt 14⅛ 90	60	†99¾	100¼	+0¼	0	14.01
Denmark 7¾ 92 ECU	100	99⅛	99¾	−0¼	+0⅛	7.88
DG Fin. Co. 13¾ 90 A$	50	†104½	105½	0	+2½	11.49
DG Fin. Co. 14 90 A$	75	†99⅞	100⅛	−0¼	−2	13.91
DG Finance 14⅛ 92 A$	50	†101	102	+1	−2	13.83
Deutsche Bank 9⅞ 97 £	75	†98¾	99¼	−0⅛	−0½	10.08
Deutsche Bk.14¼ 92 A$	100	†99¾	100¼	−0¾	−0⅜	14.19
Dresdner Fin.13⅞ 91 A$	100	†99¾	100¼	+0¼	+0⅛	13.79
Electrolux 8 89 FL	60	102¼	102⅞	−0⅛	+0¼	6.02
E.I.B 8⅝ 93 LF	1000	†102½	103½	0	0	7.88
Euratom 7⅝ 97 ECU	145	91⅝	92⅛	−0¼	+1⅛	8.66
Eurofima 11½ 88 FL	150	102½	103	−0⅛	−0⅛	0.06
Eurofima 7½ 92 FL	50	103⅜	104	+0⅛	0	6.52
Eurofima 17½ 89 Z$	50	†99¾	100¾	0	+0⅛	17.32
Finland 6 91 FL	100	98⅞	99⅜	+0⅛	+0⅛	6.29
Ford.Mtr.Cred.13¾ 91A$	75	97⅞	98	0	0	14.55
G.M.A.C. 9 92 £	50	98⅞	99⅜	+0⅛	+1¼	9.22
G.M.A.C. 9¼ 92 C$	75	†94¾	95¼	−0⅛	−0¼	10.68
G.M.A.C Aus.Fin.14 90 A$	50	99⅛	99½	0	−0¼	14.26
Halifax BS 10⅛ 97 £	100	99½	100⅛	+0⅛	−0⅛	10.40
Honda Mtr.W/W 3⅞ 90 FL	100	104½	106	+0½	−5¼	1.54
Hunter Dgas. N.V. 7 91 FL	50	101¼	101⅝	0	0	6.50
Imp Chem Inds 10 05 £	100	†96⅛	97⅛	−0⅛	−1¼	10.40
Inv.In Ind.Intl 10 93 £	60	100⅛	100⅞	+0⅛	+0⅛	9.82
Lease Pln. Ned. 6 91 FL	50	†97½	98½	0	+0⅛	6.59
Leeds B.S 10½ 91 £	50	101¼	101¾	+0¼	−0½	9.91
Mort.Bk.Denmark 6 91 FL	150	98⅛	98⅝	+0⅛	−0⅛	6.43
Mtge. Bk. Dn. 6¾ 91 FL	100	100⅝	101	0	+0⅛	6.52
Nat.Australia 14 92 A$	50	†99½	100	+0¼	0	0.19
Nat. West.Bk.13⅞ 92 A$	50	†97½	98	+0¼	+0¼	13.77
Nationwide BS 10⅛ 93 £	75	100½	101	+0⅛	−0⅛	9.91
New Zealand 7¾ 93 ECU	200	97	97½	−0¼	+0⅛	8.43
Oesterr.Ktbk.13⅞ 94 A$	75	98⅞	99¼	−0⅛	−0¼	13.82
Prudential Fin.9⅝ 07 £	150	90¼	90¾	+0⅛	−1¼	10.53
S.D.R. 7¾ 95 ECU	90	96½	97	−0¼	+0⅛	8.35
Tsthouse Forte 11½ 90£	50	102⅝	102¾	+0¼	0	9.82
Thyssen 7¼ 90 FL	50	101¾	102⅛	−0⅛	−0¼	6.42
Wessanen 6¾ 90 FL	50	101¾	101¾	−0¼	−0⅛	6.15
World Bank 13⅞ 92 A$	100	†98	98½	+0¼	0	13.85

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alberta 3 95	.0312	99.92	100.02	11/12	7.64
Alliance & Leic.Bld 94 £	.08	99.24	99.29	21/01	10.27
Belgium 91	0	100.03	100.13	19/02	7.19
Britannia 5 93 £	0⅛	99.65	99.70	8/01	10.37
Chase Manhattan Corp 91	0¼	99.15	99.40	22/02	7.19
Citicorp 98	†0¼	96.90	97.15	30/11	7.12
Credit Lyonnais 5 00	†0¼	98.30	98.40	13/01	7⅛
EEC 5 92 DM	†0	100.22	100.27	22/02	4.31
Halifax BS 2 94	.1	99.31	99.36	8/02	8.97
Midland Bank 01 £	.1	96.22	96.39	11/02	8.97
Milk Mkt.Brd. 5 93£	0¼	99.36	99.41	30/12	10.37
New Zealand 5 97 £	.07	99.26	99.36	18/02	9.06
New Zealand 5 00	0	98.75	98.85	4/02	7¼
Shearson Lehman Hldg 91	†0¼	98.87	99.37	8/02	7.62
United Kingdom 5 92	0	100.19	100.25	7/01	8.19
Woodside Fin. 5¼ 97	0	98.94	99.04	28/01	7.69
Woolwich 5 95 £	0⅛	99.21	99.26	19/02	9.12

Average price change... On day +0.00 on week +0.01

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02	†8/87	62.	96	97	+0⅛	23.36
Alco Health 6¼ 01	†7/86	26.25	72	73	+0⅛	43.63
American Brands 7¼ 02	†9/87	56.7	97¼	98¼	−0⅛	33.94
American Can Co. 5½ 02	†4/87	66.75	66½	67½	+1	60.41
Ashikaga Bank 2⅞ 02	4/87	967.	109	110½	+0⅛	1.91
Asics 5 92 DM	†12/85	438.6	139	141	+1	−0.77
CBS. Inc. 5 02	4/87	200.	92¼	93¼	0	12.81
Chiba Bank 2⅞ 02	†1/87	790.5	174	176	0	4.20
Fuji Hvy Inds 3 00	8/85	676.	134½	136	+2¼	0.64
Fujitsu 3 99	†5/84	1106.	187	188	+0⅛	−0.83
Gunma Bank 2⅞ 02	4/87	808.	125½	127½	−0½	−0.57
MCA INC 5½ 02 US	†9/87	69.62	71⅛	72½	0	43.23
Minolta Camera 2¼ 94DM	†2/86	1004.	87½	89½	+0¼	41.15
Mitsui trust 2⅝ 01	10/86	1903.	130⅝	132⅝	+1⅞	0.72
Next PLC 5⅜ 03 £	†11/87	43	101¼	102¼	0	71.75
Nippon Elec 2⅞ 00	†1/86	1295.	288	289	+0½	−0.65
Old Elec Ind 3½ 99	†10/84	805.	174½	176	−2⅛	1.16
Omron Tateisi 2⅝ 02	4/87	1310.	154½	155½	+3¼	0.90
Redland 7¼ 02 £	†1/87	5.4	84½	85½	0	26.10
Yokohama Bank of 2⅝ 01	10/86	1014.	168	169	+1⅞	−0.96
W.R. Grace 6¼ 02 US	9/87	42.12	73	74	−0⅛	−30.42

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Unilever to raise DM700m from banks

By Laura Raun in Amsterdam and Maggie Urry in London

UNILEVER, the Anglo-Dutch food and detergent group, plans to raise DM 700m ($419m) through an unusual private placement of newly-created preference shares in Deutsche Unilever, its West German subsidiary. The shares, representing 24.9 per cent of the subsidiary's equity capital, will be placed with a consortium of banks led by Deutsche Bank.

Although the shares carry voting rights, the banks will not be able to exercise them, so that Unilever will retain full management control. Unilever retains the option to buy the shares back at the same price after five years.

The final terms of the deal, which the banks suggested to Unilever, have yet to be fixed. It is expected that Unilever's net cost will be comparable to a five year, fixed rate borrowing. Yields on five year bonds are currently around 5½ per cent in West Germany.

The procedure will be cheaper and easier than raising money through a public offering of equity or bonds, especially following the recent collapse in the stock and bond markets.

Unilever could repeat the exercise with others of its subsidiaries, although banks would only be prepared to buy preference shares in its larger companies. Deutsche Unilever, which manufactures edible fats, frozen foods, toiletries and detergents, reported turnover in 1986 of DM 7.5bn and net income of DM 220m.

The proceeds will be used to finance growth and acquisitions throughout the international group and not solely in Germany, according to Unilever, which is jointly based in Rotterdam and London and operates in 75 countries.

The fund raising exercise is seen as a way of strengthening the whole group's balance sheet. Unilever is expected to reduce its gearing to the roughly one-third level obtaining before its $3.2bn acquisition of Chesebrough-Ponds last year by the year end. It has raised $1.69bn through the sale of Stauffer Chemicals, part of Chesebrough-Ponds, earlier this year.

The Anglo-Dutch giant is expected to continue expanding through purchases of companies that fit into its core activities of consumer foods, detergents and personal care products. The US, Far East and Europe are all considered potential markets.

Unilever also is expected to continue investing heavily in an effort to widen its product range, strengthen market share and increase profit margins.

Besides Deutsche Bank the consortium includes Dresdner Bank, Commerzbank and Vereins- und Westbank.

West Germany was chosen as a venue for raising funds because its capital markets have not been tapped by Unilever in several years and banks there are considered to be flush with cash.

Laenderbank heads $80m loan for USSR

By Judy Dempsey in Vienna

AN INTERNATIONAL banking consortium headed by Oesterreichische Laenderbank, Austria's third largest bank, recently completed and signed a loan to the Soviet Foreign Trade Bank worth $80m. This is the first time the Laenderbank has headed such a loan.

The loan, which will be used for the import of foreign commodities, has a term of eight years. The agreed interest rate has been set at ⅛ above London interbank offered rate (Libor) for the first five years, while the remaining three years will be set at a quarter above Libor.

The consortium includes Banque Nationale de Paris and Donau Bank, based in Vienna. Laenderbank has been a co-lead or member of the loan syndicate in several previous loans to the Soviet Foreign Trade Bank.

Last year, a consortium of banks, which included Landerbank in the lead management group, negotiated two separate loans, one worth $150m, the second worth DM1.2bn to the Soviet bank.

Although Laenderbank does not yet have a representative office in Moscow, it is known for its traditionally close ties with Eastern Europe and the Soviet Union.

Swiss syndicate relaxes rules

BY WILLIAM DULLFORCE IN GENEVA

SWITZERLAND's big bank syndicate, which has dominated the Swiss franc bond market for foreign borrowers for decades, is introducing greater flexibility to its rules and practices.

More members of the syndicate will be allowed to lead manage issues, other Swiss banks will be invited to join, and there could be increased scope for participation by outside underwriters in individual issues, including foreign banks. The changes - announced in a communique yesterday from Union Bank of Switzerland - will come into effect from the beginning of 1988.

Mr Reto Diezi, the vice-president responsible for UBS's foreign bond issues, said the move had long been under consideration and was not defensive, since the syndicate had actually improved its share of the new issues market this year.

The Big Three Swiss banks - UBS, Swiss Bank Corporation and Credit Suisse - appear rather to be responding to grumblings from within the ranks about the rigidity of the discipline imposed.

In its statement describing the forthcoming changes to the big syndicate's rules, UBS also listed three core elements which will remain unchanged. These were loyalty to the syndicate, the obligation of the lead manager to invite all syndicate members to participate, and the system of fixed quotas.

From January, however, any permanent member of the syndicate will have the right to lead manage an issue. Until now lead management has been the prerogative of the Big Three banks - relaxed only very occasionally for individual issues.

In practice the change means that energetic investment banks such as Julius Baer and Vontobel can now lead issues.

This concession must be assessed against a second adjustment, dropping the obligation on syndicate members to take part in all issues. A member which feels that an issue has been mispriced will now be able to drop the deal and return its quota to the lead manager.

Mr Franz Ruegg, head of Julius Baer's new issues department, commented: "It means that, if I want to lead manage an issue, I have to be absolutely sure I can place it."

A third change will increase the scope for participation in specific issues by underwriters which do not belong to the syndicate. The *ad hoc* quota for outsiders at the disposal of the lead manager is to be enlarged.

Syndicate members will have more flexibility in using the "reallowance" - the portion of the commission (now 1¼ per cent out of the normal 2⅝ per cent commission on a 10-year bond) by which they can adjust the price to investors.

From January there will be no restriction on the amount of the commission a syndicate member can pass on to a buyer on the professional market. "He will be able to respond more easily to an institutional investor shopping for the best price," Mr Diezi explained.

Membership of the syndicate is to be expanded. Some Swiss "institutions" which had shown interest would be invited to join, UBS said. They could be members of other underwriting syndicates.

The big syndicate reduced its heavy fees in January, 1986 to "adjust to international market conditions" and to attract borrowers on the Swiss franc foreign bond market, whose business was being snatched up by other aggressive syndicates. Last year the syndicate's share of the market, once over 90 per cent, slid below 65 per cent.

New issues have shrunk slightly in volume this year - from SFr33.7bn, including SFr14.6bn in medium-term notes, in the first 10 months of 1986 to SFr31bn, including SFr16.6bn in notes, up to the end of October this year. However, the Big Three syndicate's share has recovered to about 75 per cent, according to Mr Diezli.

THE Swiss subsidiaries of Nomura Securities and Yamaichi Securities have applied for bank status in Switzerland, Reuter reports from Zurich.

The two companies' 100 per cent subsidiaries, Nomura Switzerland and Yamaichi Switzerland, are broking and underwriting houses. They are seeking bank status to enable them to enter the discretionary fund management field.

The Nomura official said the banking licences are likely to be approved since two Swiss brokerage houses are expected to win seats on the Tokyo Stock Exchange in the near future.

Tokyo unveils plans for financial futures market

LEADING ADVISORY panels to the Japanese Ministry of Finance yesterday unveiled a joint proposal for the creation of a comprehensive Tokyo financial futures market comparable to those in financial centres abroad, **Reuter reports from Tokyo.**

But the proposal, which supports ideas put forward by the nation's banking industry, would need time to be put fully into action as it must be reconciled with conflicting ideas held by the securities industry, MoF said.

The ministry is expected to settle such differences so that it can submit bills to parliament making necessary changes in the law by the middle of next March.

Committees from the Financial System Research Council and the Foreign Exchange Council made the joint recommendation that new legislation be set up to allow a wide range of futures and options contracts to be traded on the same market under the same legal framework.

The proposal also referred, however, to the opinions of some members of the committees that securities-related futures transactions should be administered by the same norms applied to those transactions on the cash market.

These comments were made to reconcile the recommendation with an earlier report by another major advisory panel to the ministry,ministry sources said.

The Securities and Exchange Council, which supports the views of the securities houses, proposed in May that securities-related futures be administered under the existing Securities and Exchange Law. It dismissed the idea of new laws to cover all futures products.

The joint proposal thus deliberately avoided an outright conflict with this earlier report by mentioning all of these differing views, the sources said.

"We want to create a really integrated financial futures market like those in London and Chicago, but we don't know what it is going to be like yet," said one official.

The Tokyo Stock Exchange launched trading in 10-year government yen bonds, Japan's first financial futures contract, in October 1985. It plans to start stock index futures trading in the middle of 1988. The Osaka Stock Exchange began trading futures in a basket of 50 stocks in June, but contracts are deliverable in shares, not cash.

Japan's postal insurance system has bond deficit

JAPAN'S POSTAL insurance system (Kampo) lost more than Y300bn ($2.22bn) on foreign bond investments in the year ending March 1987 because of the sharp rise of the yen, **Reuter reports from Tokyo.**

Officials at the Ministry of Posts and Telecommunications said that an audit report, prepared for parliament, had found that Kampo suffered appraised losses of Y302.6bn at the end of 1986/87 against Y188.9bn a year earlier.

"We did suffer from currency losses," said Mr Yoshinori Sakota of the fund management planning division in the post office life insurance bureau of the Ministry of Posts and Telecommunications.

"However, we knew we would have such losses when we bought US Treasury bonds."

"We thought 14 to 18 per cent yield at the time would outweigh Japanese bonds in yield, even taking potential currency losses into account," said Mr Sakota. "And those bonds now have huge hidden gains of an estimated Y250bn due to the fall in US interest rates in the past years."

Kampo's net foreign bond investment in 1986/87 was Y1,618.6bn, of which Y1,248bn was in foreign currency-denominated bonds. Total net foreign bond investment represented 5 per cent of total Kampo assets of Y32,587.6bn in that fiscal year, according to the Ministry of Posts

US dollar bonds and Canadian dollar bonds accounted for roughly 60 per cent of all Kampo foreign bond investment in the period.

"We lost Y300bn compared with assets of Y32,000bn, whereas life insurers lost Y2,000bn against Y65,000bn. We are doing much better," Mr Sakota said. "I don't think we need to reconsider our investment methods right now. We will buy bonds of any currency if the issue provides a satisfactory yield.

"We have already started to diversify our investment. We have bought ECU-denominated issues, while we are not fascinated by U.S. Treasury bonds right now."

Officials said that Kampo had been generally avoiding US Treasury bonds throughout the current fiscal year.

City expectations met with £1.12bn halfway

British Telecom advances by 11%

British Telecom yesterday reported an 11.3 per cent increase in pre-tax profits, from £1bn to £1.12bn for the half year ended September 30. This was at the upper end of City expectations. Second quarter profits showed a 10.9 per cent advance to £559m.

The interim dividend is being stepped up by 11.9 per cent to 3.75p (3.35p), to be paid from higher earnings of 11.5p (10.2p) per share. Mr Iain Vallance, the chairman, said the payment took into account prospects for the full year. The directors were committed to improving the service and continuing the network *modernisation*. Despite the short-term costs they were confident of continued progress.

Turnover for the half year advanced by 7.4 per cent to £4.95bn (£4.61bn) with rental income up by 8.9 per cent to £1.64bn. There was an exceptional growth in business lines, with a record number being installed in the second quarter. This reflected in part the buoyant demand in most areas of the country, and in part the company's effort to reduce order backlogs, directors said.

Telephone call income, at £2.63bn, was 8.5 per cent ahead of the corresponding period, while telex income was lower at £180m (£187m). Sales and other operating income improved from £495m to £501m. Total turnover included £324m (£308m) from overseas telecommunication operators.

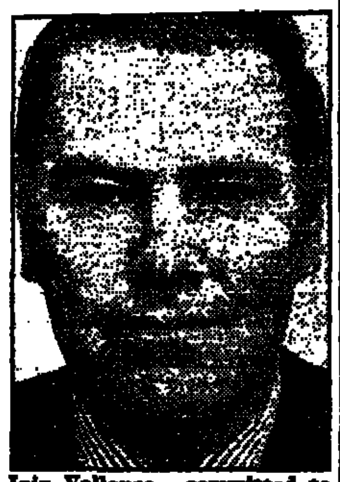
Operating costs of £3.7bn (£3.47bn) included £15m set aside for BT's employee profit *sharing* scheme to be operated next June when full-year results are announced. Mr Graeme Odgers, group managing director, said he hoped the company's performance then would justify making a further amount available. The board did not operate the scheme in 1986-87 because of industrial action by its engineers.

Mr Odgers said BT would not begin to reduce numbers in its core business until towards the *end of the next financial* year, because the company was committed to improving its service. Staff numbers increased by about 400 in the last six months.

He added that the company's quality of service was now back to the level existing before the strike, but BT was determined to improve it further.

There were improved results this time from subsidiaries, and Cellnet, the group's cellular telephone service, was now trading profitably. The pre-tax result was after interest charges little changed at £135m (£136m). Tax was £406m (£366m) and minorities took £23m (£30m).

Mr Odgers later said that BT expected to make a decision within the next six months on plans to introduce a charge for using its directory inquiries service which cost BT £150m a year and was being weighed down by an extra 150,000 calls a day, mainly from the business sector.


Iain Vallance... committed to improving service

See Lex

BAe plans move into building business

By Richard Tomkins

British Aerospace, aircraft manufacturer and defence industry group, yesterday marked a novel departure into the construction business when it revealed that it was negotiating to buy Ballast Nedam Groep, one of the biggest construction groups in The Netherlands.

If agreed, the move will allow BAe to accompany its sales of military hardware with airfield support systems such as barracks, training quarters, military hospitals and hangars.

The move has been prompted by the massive £5bn contract which BAe has won to supply Saudi Arabia with 72 Tornado jet combat aircraft. The project, called Al Yamamah, provides for training aircraft, advanced weaponry and a wide range of support services to be included in the contract.

But Mr Bernard Friend, BAe's finance director, said this was not the only reason for the proposed acquisition.

"The trend these days is towards providing not just planes and missiles, but also the support services that go with them. We feel we will stand a very much better chance in the world's defence markets if we can take on this sort of activity."

Ballast Nedam is based in Amstelveen and has a substantial presence in the Dutch construction market, but it is also highly active in the Middle East and in particular Saudi Arabia. It recently completed the causeway between Saudi Arabia and Bahrain.

The company is more than 98 per cent owned by Minefa Holdings, which is in turn wholly owned by Wedge International, an investment group of Lebanese origin with extensive interests in Europe and the US.

Ballast Nedam had turnover in 1986 of FL1.67bn (about £500m) and its continuing activities produced a profit of nearly FL8m, but dredging activities - now significantly curtailed - and other extraordinary write-offs took FL230m leaving a net loss of FL221.

Mr Bernard Friend, BAe's finance director, said yesterday that the purchase price had yet to be agreed but Ballast Nedam's book net assets of FL156m were likely to provide a guide.

Strong all-round demand boosts BPB to £90m

BY FIONA THOMPSON

STRONG DEMAND for plasterboard from both the housebuilding and commercial sector helped **BPB Industries**, Slough-based building materials group, push half year profits ahead by 31 per cent.

The pre-tax figure advanced to £90.9m *from* £69.3m for the six months to September 30, on turnover up 20 per cent at £355.8m, against £295.7m last time.

"Demand for our products throughout western Europe, including the UK and Ireland, rose by 7 to 10 per cent on last year," said Mr Brian Hogben, finance director.

Tax took £35.2m (26.8m). Earnings per share rose to 13.8p from an adjusted 11.1p. An interim dividend of 3p (2.25p) was declared. BPB is the largest *plasterboard manufacturer in* Europe and has 96 per cent of the UK market, which is worth £125m annually. The total gypsum market, including plasterboard, bagged plaster, raw gypsum and cove cornicing, is worth £250m annually.

In September, Redland, Surrey-based brick and roofing tile manufacturer, announced it was going to challenge BPB's plasterboard monopoly via a joint venture with the Australian CRS building materials group. It aims to capture a 30 per cent share of the UK market.

Mr Hogben claimed yesterday that Redland would probably find it difficult to take 30 per cent.

"It is one thing to talk about it, another to do it. We have seen people come into the market before. We live with it. We're not terrified. Lafarge recently withdrew. ICI gave up."

BPB takes Redland seriously, said Mr Hogben. He would not *discuss the possible impact on* price policies, but stressed BPB would not sit back and cede market share.

Gypsum products accounted for the vast majority, between 80 per cent and 90 per cent, of the £69.4m (£53.5m) contribution made by building materials to BPB's total operating profits of £83.5m (£65.1m). Paper and packaging made a much smaller £14.1m, against £11.6m.

Yesterday's figures include the first full-half contribution from the Italian acquisitions purchased last year but just two months of Rigips, the plasterboard manufacturer with plants in Germany and Austria, bought by BPB in April this year.

Last month, BPB announced a £150m capital expenditure programme to include the opening of a new gypsum mine and plant extensions in the UK, the construction of a plasterboard plant in the Ruhr, and an expanded polystryene plant near Paris. *This investment* would lead to further reductions in the group's cost base and an improvement in its competitive position, the company said yesterday.

Chairman's departure prompts unitisation of Ailsa Trust

BY NIKKI TAIT

THE DECISION by Mr David Montagu, announced yesterday, to become chairman of Rothmans International, could mean an early demise for **Ailsa Investment Trust**, £76m fund managed by J.Rothschild.

Ailsa's board is considering proposals which would involve the fund's liquidation and the transfer of its assets to a new unit trust. Under the unitisation scheme, the new fund would be managed by Bishopsgate Progressive Unit Trust Management, a wholly-owned J.Rothschild subsidiary, and would be called Bishopsgate Special Situations Unit Trust.

Since 1981 Ailsa has been chaired and managed by Mr Montagu, who is a former chairman of Samuel Montagu, merchant bank, and Orion Bank. On his appointment, Ailsa was increased by an issue of new shares, its investment policy redirected towards recovery stocks and special situations, and wind-up date of not later than 1990 attached.

Yesterday J.Rothschild said that given the combination of the wind-up date and Mr Montagu's close involvement, it was thought sensible to unitise. The fund managers estimate that net asset value of the trust has trebled during Mr Montagu's period of control. Ahead of Black Monday, the figures showed a quadrupling.

Mr Montagu, who has been a director of Bishopsgate Progressive since November 1982, plans to remain on the board.

Property sales lift Morland

WITH THE help of £837,000 profit on property disposals, **Morland & Co.** lifted its pre-tax balance from £2.81m to £3.8m in *the year ended September 30* 1987, an advance of 35 per cent.

On the trading side this brewing group, which operates in the upper Thames Valley, raised turnover 7 per cent to £18.8m and profit by nearly 14 per cent to £2.96m.

The summer was not helpful but overall beer volumes were slightly ahead of the national average, and lager sales continued to grow to an extent which fully justified increased production expenditure. Good increases were also recorded in wine and soft drink sales.

Figures included two months from Bell Amusements, the amusement machine operating organisation acquired recently. That was well up to expectation and Bell should make a substantial contribution in the current year.

It was decided to take property profits above the line, and the 1985-86 figures were adjusted accordingly-profits then were £206,000.

Earnings shot up to 35.3p (28.6p) per share, after tax of £958,000 (£921,000). The final dividend is 5.4p for a total of 7.9p (7p).

Century Oils up to £2.8m

BY LUCY KELLAWAY

Century Oils, specialist lubricants manufacturer, yesterday announced a 13 per cent increase in pre-tax profits to £2.8m in the *six months to* September, and said it expected to maintain the momentum *for* the rest of the year.

The results reflect volume growth of 10 per cent, most of which was concentrated in overseas markets.

The company said much of the improvement had been offset by the effects of lower oil prices on finished products.

Profits were further depressed by delays in getting the benefit of recent *large* investments in new production units in the UK and the US. The units, both now fully operational, were beginning to realise their potential, the company said.

The interest charge for the quarter rose to £987,000 from £921,000. The full year will be lower to reflect the recent £11m rights issue, and working capital reductions.

Turnover for the year was £45.7m, compared with £44.6m in the first six months of last year, while profit after tax rose to £1.9m from £1.7m. The interim dividend has been increased to 1.75p compared to 1.6p.

Profit figures for both periods have been restated to reflect a change from year end to average exchange rates for the group's oversea subsidiaries.

Redland advances 35% to pass £75m

BY FIONA THOMPSON

BUOYANT trading conditions resulted in profits 35 per cent ahead at **Redland**, Surrey-based brick and roofing tile manufacturer, for the half year to September 26. Pre-tax profits rose from £55.6m to £75.3m on turnover 31 per cent stronger at £760.9m, compared with £583m last year.

"All three UK divisions, roof tiles, aggregates and bricks, did well," said Mr Robert Napier, managing director, "the roof tile business in particular.

"Overseas, the Holland subsidiary *produced* an excellent profit, in Germany, sales were affected by bad weather but the result was good, and the first time contribution from Genstar, the US operation, was better than expected."

Mr Napier was very bullish about Redland's bid to challenge BPB Industries' monopoly of the UK plasterboard market.

"It is a growth market, that is the key point. Customers will welcome a second supplier. We aim *to* become a significant *player, supplying a full range,* not just plain plasterboard. We have plans to build a first, then another, plant to allow us to serve 25 to 30 per cent of the market."

Mr Napier said he expected the market to grow by about 5 per *cent per annum. In addition,* "we clearly hope we will gain market share from BPB. But we are going in to this market to make money, not fight market share."

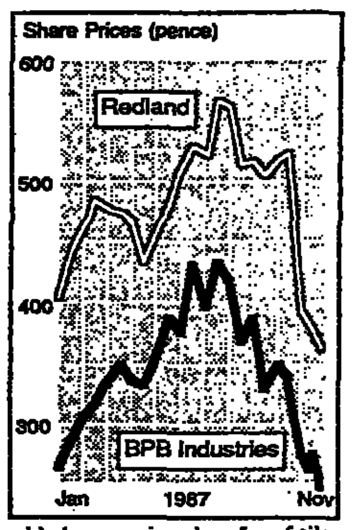
Redland, he stressed, "does not intend to start a price war."

Of total operating profits of £81.9m (£61.8m), the UK contributed £44.5m, compared with £35.7m; overseas subsidiaries made £31.5m (£15.5m); and group share of associates accounted for £5.9m (£10.6m). Sales were: UK, £344.7m (£273.9m); overseas subsidiaries, £259m (£157.2m) and associates, £157.2m (£151.9m).

Trading conditions were expected to remain buoyant in the UK, he said, looking towards the full year. The October hurricane had resulted in a considerable increase in sales of roof tiles and supplies for roof repairs.

In continental Europe and the US, the short-term outlook was favourable and prospects were improving in Australia.

Interest payable amounted to £6.6m, against £6.2m paid last year. The tax charge was £20.8m, against £16.7m. Minorities accounted for £3.4m (£3.3m). Earnings per share rose to 18.9p from 16p. An interim dividend of 5p (4.3p) was declared. See Lex



TSB Channel Islands tops £6m mark

TSB Channel Islands, separately-floated company within the TSB group, reported profits of £6.1m before tax in the 49-week period up to October 31. Adjusted for 52 weeks, this represents a 17 per cent rise over £5.5m earned the previous year.

The group, quoted on the USM, changed its year-end from November 20 to October 31.

The gross dividend is being increased by 10.2 per cent to a total of 5.4p.

ICI's £5m acquisition

By Heather Farmbrough

ICI is buying the cereal breeding and wholesale cereal operations of MMG, a subsidiary of the Swedish sugar beet seed company, Hilleshog, part of the Volvo group. *It is believed to be* paying about £5m for MMG.

MMG's activities cover substantial programmes in wheat and barley breeding. ICI intends to expand these programmes supported by its bio-technology research resources.

Earlier this week, ICI lost out to Unilever in an attempt to buy the Plant Breeding Institute when it was privatised. ICI's plants business is the second largest in the UK.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Authority Invs. ......int	2.5†	Dec 31	-	-	nil
BPB Industries ......int	3	Jan 22	2.25*	-	6.25*
British Telecom ......int	3.75	Feb 15	3.35	-	8.45
CCA Galleries § ......int	0.9	-	0.8	-	2.7
Century Oils ......int	1.75†	Jan 29	1.6	-	5.75
Dawson Intl. ......int	2.4	Jan 18	2.1	-	6.9
FKI Babcock ......int	0.6†	-	0.4	-	1.4
Hill Ergonom § ......int	0.7	Jan 15	0.7	-	2
Imry Intl. ......int	2.5	Feb 26	-	-	2
Marston Thompson.... int	0.85	June 26	0.78	-	2.55
Moorgate Merc ......int	0.95	-	0.65	-	2
Morland ......fin	5.4	-	4.75	7.9	7
Penny & Giles ......int	0.88	Jan 25	0.76	-	2.5
Redland ......int	5	-	4.33	-	13
Rothmans Intl. ......int	3†	Jan 26	2.5	-	7.7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡Unquoted stock. Third market.

Air Europe wins court ruling over BA bid

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

Air Europe, an independent UK airline, yesterday won the right to challenge the Monopolies and Mergers Commission's decision that British Airways' revised bid for British Caledonian Group would not be against the public interest.

A High Court judge gave Air Europe leave to apply for a judicial review of the decision with a view to having it quashed. Mr Justice Macpherson said he gave leave with considerable reluctance "because I do not believe in my heart of hearts that this case will succeed".

However, he said there were one or two points raised by Air Europe, a subsidiary of travel company International Leisure Group, which merited investigation by the court.

Air Europe complains it was not given an opportunity to comment on undertakings on BCal route licences and runway slots at Gatwick airport offered in secret by BA during the commission's inquiry. These promises persuaded the commission that the proposed takeover would not operate against the public interest.

Mr Michael Beloff, QC, for Air Europe, said the commission's failure to give the airline an opportunity to comment on the undertakings was a breach of natural justice. He said four points arose from the commission's report:

•The proposals that the commission was originally invited to consider differed from those on which it ultimately reported.

•The difference was constituted by BA's undertakings.

•Without those undertakings the commission might well have concluded that the merger was contrary to the public interest.

•It was clear from the report that no representations on the undertakings were invited, entertained or heard from interested parties, including Air Europe.

Mr Justice Macpherson said it seemed a strange view that everybody who had made representations to the commission should be allowed "a second bite at the cherry" because undertakings that tempered BA's case had been offered to the commission.

He also thought it unlikely that Air Europe would be able to persuade a court there was anything unfair in not allowing it to comment on the undertakings, bearing in mind its original submissions to the commission.

Observing that Air Europe was the only body assailing the commission's decision, the judge said he doubted whether the court would allow the whole investigation to be reopened just to allow Air Europe to make its comments.

However, he said it might be that on reflection "this matter will fall to the ground - perhaps good advice will prevail." Every effort would be made to have the case heard by the court before Christmas.

Call for Monopolies look at SAS moves on BCal

BY CLAY HARRIS

British Airways yesterday urged the Office of Fair Trading to refer to the Monopolies and Mergers Commission any acquisition of a stake in British Caledonian Group by Scandinavian Airlines System.

In an 18-page submission, BA said this would constitute a "back-door nationalisation by three foreign governments, two of them outside the EC, with dangers of direct and indirect subsidies."

SAS describes itself as a consortium of the Swedish, Danish and Norwegian national airlines, each half owned by their respective governments and private investors. On advice of its Danish lawyers, BA yesterday said that the governments held slightly more than 50 per cent stakes, a contention strongly denied last night by SAS.

The Scandinavian airline is considering mounting a partial offer for BCal in competition with BA's full bid which values BCal at £153m in shares or £119m in cash. SAS has signalled its intention to buy a 40 per cent stake and inject an additional £50m in cash.

The Monopolies Commission cleared BA to bid for BCal after a three-month inquiry during which BA offered certain concessions on route licences and runway slots at Gatwick, London's second airport and the hub of BCal's operations.

After informal approaches by SAS, and its subsequent public statements, the OFT has launched a formal investigation of the issues involved. SAS has also sounded out the Civil Aviation Authority about the likely reaction to its taking a stake.

The Monopolies Commission needed to investigate how the proposed investment fitted in with its previous conclusion that BCal could not long continue to operate in its present form.

BA said that a BCal-SAS merger would eliminate existing indirect, and planned direct, competition, re-inforcing SAS's monopoly rights on international services for Scandinavia.

SAS and BCal compete indirectly (from Copenhagen and Gatwick respectively) on services to the US, Tokyo and Saudi Arabia. BCal was due to begin services next year on routes from the UK to Copenhagen, Stockholm and Oslo.

BA said other public interest issues raised by the proposed link included:

•there would be no obvious benefits to the consumer because of SAS's history of resisting moves towards liberalisation including lower fares and tighter anti-trust controls.

•it offered none of the benefits of synergy which would arise from a BA takeover of BCal, allowing the services at present flown by the latter to operate economically.

•it would provide no opportunities for smaller UK independent airlines;

•international traffic rights negotiated by the UK Government would be exploited by non-UK interests, and London might have to make concessions to other governments to allow BCal to operate.

•because of SAS's ownership structure, British airlines have no reciprocal possibility for investment in the Scandinavian carrier.

In the wake of an SAS-Thai Airlines agreement to begin twice-daily services between Copenhagen and Bangkok, BA suggested that the contemplated link was designed to feed more passengers into SAS's main hub - at the expense of Gatwick.

It also cited SAS's attempt earlier this year to block BA's operation of an early morning Stockholm-London service at the same time as an SAS flight, and the Scandinavian carrier's higher fare structure.

Peter Riddell, Political Editor, adds: Mr Robert Hughes, Labour's transport spokesman, last night challenged the Government to state its policy towards British Caledonian in the light of a possible deal with SAS.

He said there were inconsistencies in ministerial statements on competition policy, about whether a decision should be taken by the Government and the Civil Aviation Authority, or should require a reference to the Monopolies and Mergers Commission.

In a letter to Mr Paul Channon, the Transport Secretary, Mr Hughes said without a clearer statement it was unclear whether the Government believed it was in Britain's interest for BCal to be owned by a foreign company.

Kennedy Smale emerges as possible Anchor white knight

BY NIKKI TAIT

Kennedy Smale, glove manufacturer and machinery distributor, which is merging with McLeod Russel, yesterday emerged as one of the potential white knights for Anchor Chemical Group.

The company said yesterday that it had purchased a further 56,000 shares in Anchor on Wednesday, taking its holding, including a small existing interest, to 146,000 shares or 3.6 per cent. Prices paid ranged from 600p to 602.5p.

Directors of Kennedy spent most of yesterday in Manchester, talking to the Anchor board and were not available for comment. However, their advisers, Robert Fleming, said that the company was keeping its options open, and that it remained in the market for shares.

Yesterday, Anchor's price added 10p to 615p.

Anchor, which manufactures and distributes speciality chemicals, saw a long-standing 29.5 per cent stake change hands on Monday.

The buyer was Air Products, large quoted US industrial gases group, which promptly indicated that it was looking to make a recommended bid. Anchor described the timing of the approach as unwelcome and opportunistic, although meetings between the two companies and their respective advisers have subsequently taken place.

In addition to the Kennedy Smale talks, Anchor maintains that there have been three other expressions of interest.

The merger between Kennedy Smale and McLeod Russel was announced a little more than two weeks ago. The offer documents are likely to be posted next week.

A foretaste of the deal, however, was given in February when McLeod took a 29.98per cent holding in Kennedy. Mr Nigel Openshaw, McLeod's group managing director, took over as Kennedy's chairman and the company said it planned to expand outside the commodity business.

The combined group is in a strong cash position and has stressed its desire to expand into the UK industrial sector. Part of McLeod Russel's industrial division is involved in specialist surface coatings, a business not unrelated to Anchor's specialisation in epoxy resins.

Eurotunnel oversubscription likely

BY RICHARD TOMKINS

The UK offer for sale of shares in **Eurotunnel** , the Anglo-French group building the Channel Tunnel, yesterday appeared to be heading for a healthy level of oversubscription at this morning's 10 o'clock close.

The company's UK advisers said the expected last-minute surge of interest was materialising and applications were coming through strongly.

Warburg Securities was still refusing to release figures but said the average size of application had risen, suggesting that larger investors were waiting till the last minute to apply. It said it was "very confident" of at least a full subscription.

In France, the position is less clear because the receipt of applications is decentralised through the banking network. But the French Government's declaration earlier this week that Eurotunnel's units would count as shares for the purposes of mutual funds is thought to have given impetus to the response.

An announcement giving a firm indication of the level of response is expected this afternoon and details of the allocation are due on Monday. Dealings in the units begin on Thursday December 10.

French company takes 2.6% holding in MK

BY DAVID WALLER

A FRENCH company yesterday emerged as the holder of 2.6 per cent stake in **MK Electric Group**, the electrical accessories company on the receiving end of an unwelcome £206.5m cash bid from RTZ, the mining, energy and industrial conglomerate.

The news that Legrand, market leader in electrical accessories in France , had accumulated its holding prompted immediate speculation that it would make a higher offer for MK than RTZ's 550p per share. MK's shares rose 24p yesterday to close at 585p, 35p above the offer price and 171p above MK's price on Monday before the bid was announced.

A meeting between Legrand's board and MK is likely today or over the weekend following preliminary discussions yesterday morning between Morgan Guaranty, the French company's advisors, and Kleinwort Grievson, MK's merchant bank. A meeting between MK and RTZ is also imminent.

RTZ - which bought 22 per cent of MK's shares on Tuesday - said yesterday that it was watching the situation with interest.

Legrand, shares in which are traded on the Paris Stock Exchange, has in the past made no secret of its plans to expand beyond its base in France, where it dominates the electrical accessories in the same way as MK in the UK.

With a presence in a total of 28 countries, it has attempted to get round the problem of domestic standards for accessories such as plugs and other accessories by setting up or acquiring manufacturing facilities abroad.

It came to the UK over a decade ago, but according to analysts, it has not managed to gain significant market share despite buying a GEC subsidiary in 1981. Earlier this year, it was rumoured to be a potential buyer of Tenby Industries, an electrical accessories subsidiary of BSR which was bought by EMESS Lighting for £41.7m in an an agreed bid.

Last year, Legrand increased its net income by 72 per cent to FrF 328m (£32.3m) on turnover of FrF4.55bn; approximately a quarter of turnover derives from the US. MK made pre-tax profits of £19.7m in 1986-87.

Legrand bought 985,000 shares on Wednesday through Warburg Securities at an average price of 560p per share - a total of £5.5m.

BOARD MEETINGS

TODAY

Interims- Alpine Soft Drinks, Brewmaker, A.F. Bulgin, Burnett and Hallamshire, Leopold Joseph, Leigh Interests, Merrydown Wine, Siebe, Southwest Resources.

Finals- Airtours, Bank of Nova Scotia, Marine Adventure Sailing.

FUTURE DATES

Interims-

Aim Group	Dec 17
American Business Systems	Nov 30
British Building and Engineering Appliances	Dec 10
Charter Consolidated	Dec 8
Creighton Laboratories	Dec 7

FKI Babcock surges past £13m marker at halfway

BY CLAY HARRIS

FKI Babcock, electrical manufacturer and heavy engineering contractor, yesterday reported nearly a trebling in interim pretax profits to £13.3m, its first results since FKI Electricals completed the takeovers of Babcock International and Stone International.

The advance in the 26 weeks to October 2, from £4.5m in the one-week-longer comparable period, was achieved on turnover 5½ times higher at £203.4m (£36.9m). The interim dividend is increased by 50 per cent to 0.6p (0.4p).

The original FKI businesses contributed pre-tax profits of about £8.3m, an 84 per cent increase, while 2½ months of Stone accounted for £1.5m and one month of Babcock for £3.5m.

Costs of the rationalisation underway at Babcock, like that now completed at Stone, will not be reflected in the group's profit and loss account. FKI has created a provision of up to £100m to be taken against the share premium created through the issue of shares for the Babcock takeover.

The programme, which FKI plans to complete at least one month before the end of its financial year, involves the loss of 4,000 jobs and the saving of £65m in annual costs (of which £15m represents a reduction in capacity).

Achieving the £50m net saving would cost an equivalent amount. Provisions of another £30m to £50m had been created in respect of contracts which could give rise to claims, in particular for ship-unloader orders for Babcock's Moxey subsidiary.

Tony Gartland: Explained recent share price weakness

The company was cutting central costs from £9m to £3m by closing Babcock's and Stone's headquarters (in London and Crawley respectively) and concentrating financial and administrative functions in Halifax.

Mr Jeff Whalley, managing director, said that if Babcock's power generation side got only half of the orders it might soon expect, it would have an order book of £1.2bn to £1.5bn over the next five years.

Mr Tony Gartland, chief executive, attributed recent weakness in the FKI Babcock share price to three factors: the overhang from underwriting institutions which had been landed with shares they didn't want; sales by smaller company funds now that FKI was too large; and sales by income funds which had held Babcock because of its yield.

After an estimated first-half tax charge more than 10 times higher at £2.9m (£261,000), payments of £325,000 (nil) to minorities, and an extraordinary debit of £140,000 (£451,000 credit), attributable profit was £9.94m (£4.7m). Earnings per share rose by 50 per cent to 5.33p (3.55p).

See Lex

Imry Intl. in sharp turnround with £2.8m midterm

By Paul Cheeseright
Property Correspondent

Imry International, the property group formed last January when Arbuthnot Properties reversed into the quoted Imry Property, yesterday announced a sharp turnround in half year profits.

Pre-tax earnings for the six months to September were £2.84m compared with a loss of £559,000 for the same period of 1986. This comparative figure was made up of the combined figures of the former Imry and Arbuthnot companies.

The results helped to hold the Imry share price steady at 353p in a generally dull property sector.

Shareholders are to receive an interim dividend of 2.5p. At this time last year a special interim dividend of 3.7p was paid.

The figures were accompanied by the disclosure that Imry was arranging with Barclays and National Westminster a £75m medium-term multi-currency syndicated facility.

Mr David Davies, chairman, said that about £30m would be used to refinance short-term debt. The last annual report showed that Imry had debenture loans of £5.3m and bank loans and overdrafts of £24.88m all falling due within one year.

The balance of the new facility, Mr Davies said, would be used to fund acquisitions.

So far this year Imry has acquired two industrial estates in addition to retail and office properties, in line with the broad strategy of using the former Imry Property holdings as an asset base but at the same time building up an investment and trading arm to the business.

Key future developments include the St George's Hospital site on Hyde Park Corner in the West End of London, where the group is seeking to nail down planning permission, and The Shires shopping centre in Leicester, for which detailed planning consent has been granted.

Imry's turnover in the first half was £25.69m compared with £31.9m for the whole of the 1986-87 year, indicating an acceleration of activity and the growth of rental income in the light of rent reviews in a buoyant market.

Cost reduction and efficiency boost Rothmans tobacco side

BY HEATHER FARMBROUGH

DESPITE declining tobacco markets in much of the developed world, **Rothmans International** pleased the City with its interim results.

Pre tax profits rose by 89 per cent from £73.8m to £140m on turnover 8 per cent higher at £670.6m.

The strong performance of the tobacco operations was due to cost reductions and increased efficiency, particularly in the European operations.

But market conditions affecting many of the group's subsidiaries show few signs of improving. Volumes fell in New Zealand, Singapore and Canada because of heavy taxation and other adverse factors.

Nevertheless, the tobacco division reported a 78 per cent increase in pre interest operating profits from £77.6m to £138.3m. Luxury consumer products showed an advance of 53 per cent from £20.5m to £31.3m for the six months to 30 September 1987.

Rothmans has net cash of £398.6m, an increase of some £70m since March 31 1987, due to a further reduction in working capital and increased funds from profits, and boosted by proceeds from the disposals of Carling O'Keefe and Rowenta last year for £93.5m and £20m respectively.

This helped turn the net interest charge into a credit of £11.8m income for the half year. Rothman's tax rate fell from 46 per cent to 44 per cent, to leave the tax charge at £62.1m.

The interim dividend is 3p (2.5p). Earnings per share were 20p (9.5p).

Luxury consumer products continued to perform well. Underlying profit before tax at Dunhill rose by 28 per cent. Cartier's jewellery sales were strong, particularly in the Far East and US. Sales of perfume advanced following the launch of the Panthere range.

The group is looking for suitable acquisitions. However, Mr Malcolm Thompson, finance director, said: "We are biding our time. We do have established criteria, and would be most happy with acquisitions in the branded goods area, ideally at the the premium end."

Rationalisation charges of £7m were provided for, compared with £8m last year, from cuts in capacity mainly in Singapore, Canada and the Republic of Ireland. Mr Thompson said he doubted whether future rationalisation would be to the same extent.

Mr David Montagu will succeed Mr Crichton Brown as chairman upon the latter's retirement at the end of 1989.

●comment

Deterred by taxes which account for 75 per cent of the price of a packet of cigarettes, advertising restrictions and health fears, the developed world tobacco market is static. So Rothmans' profit leap is all the more impressive, marking the group's transformation from a loose collection of companies into a streamlined whole. With constant speculation provided by outside shareholders, the shares are one of the safer bets in current markets. An enviable cash balance is there to be used wisely: past diversification has not been entirely happy. On forecast profits for the year of £290m, a rating of 10 times is fair.

Holographics shares fall in wake of £8m rights

BY RICHARD TOMKINS

SHARES in **Applied Holographics**, USM-quoted hologram manufacturer, fell from 393p to 363p yesterday after it announced an £8.2m cash call on its shareholders.

The company is to raise the sum through a one-for-four rights issue of new ordinary shares at 300p each. The issue is fully underwritten by Alexanders Laing & Cruickshank and Chase Investment Bank.

Applied Holographics was set up in 1983 to exploit the then newly-discovered hologram technology, but has yet to report a profit. In the year to March 1987 it reported turnover up from £484,000 to £1.3m, but pre-tax losses rose from £669,000 to £823,000.

The company said yesterday that it regarded itself as a leader in the field of mass production holographics and it firmly believed the market was set to expand. The rights issue had been proposed to maintain its leadership position.

Projects to be undertaken include the setting up of a new marketing group and the expansion of the sales force in the UK and overseas, and the development of a multi-channel holographic reproduction system for specialist hologram production.

Hill Ergonom downturn

A SLOW start to sales helped reduce profits of **Hill Ergonom** from £526,000 to £156,000 pretax in the six months ending September 30 1987.

Turnover for the USM-quoted international contract furniture group was down from £6.38m to £5.75m.

The interim dividend is being held at 0.7p but earnings per 10p share dropped to 0.9p (3.24p) after tax of £55,000 (£184,000).

Mr Anthony White, chairman, said that while sales in the first half started slowly, there had been a marked improvement during the last few months which was now reflected in the current order book.

This, together with a changing balance in the business between imported and own-manufactured products and a more even spread of sales between office, sports and leisure and public sector products had broadened and strengthened the company's trading prospects.

The board anticpated a significant improvement in the second half.

Headlam Sims progress

Headlam, Sims & Coggins, maker and distributor of footwear, lifted taxable profits from £21,000 to £103,000 in the six months to July 31. The directors said that they hoped to recommend the payment of a final dividend.

Turnover moved up slightly from £3.27m to £3.38m. After tax of £25,000 (£6,000) earnings per 5p ordinary share rose sharply from 0.34p to 1.87p.

The directors said that they were continuing to look at possible acquisitions

UK COMPANY NEWS

Marston Thompson rises to £6.6m

Marston Thompson & Evershed, the Burton-on-Trent brewer, has reported an increase from £5.87m to £6.62m in pre-tax profits for the six months to September 26 on turnover little changed at £37.59m against £37.25m. Trading profit was £5.98m compared with £5.77m.

The directors said that trading results will continue to be dull until the volume decline is arrested and the company begins to see the results of further refurbishment schemes.

Much of the increased profit is accounted for by the surplus on sale of retail properties — £315,000 (£95,000) – and net interest receivable of £321,000 (£9,000).

These improvements are a result of a continuation of the programme of disposing of non-viable public houses, and have given rise to a considerable increase in liquid funds, which are being actively re-invested into more profitable parts of the company's estate.

Volumes followed almost directly the weather pattern, the directors added, and while they were good in the late spring, they have been disappointing since, although sales of 'Pedigree' have continued to increase in the free trade.

The company is continuing to improve and refurbish its estate, and is particularly pleased with the managed house results, which show significantly higher profits

Tax took £2.2m (£1.99m) leaving earnings per 25p share of5.05p (4.46p).The interim dividend is raised from 0.78p to 0.85p.

Authority Invs. profits more than trebled

A surge in banking services' profits from £26,000 to £810,000 enabled Authority Investments to achieve more than trebled pre-tax figures of £1.38m for the half year to October 31, 1987, compared with £446,000 last time.

Reflecting its successful reorganisation, Authority is paying an interim dividend of 2.5p - the first in 12 years. Earnings per 20p share were 12.89p (7.75p) basic or 12.04p (7.77p) fully diluted.

Mr David Backhouse, chairman, said the company stood to benefit from any fall in interest rates and provided there was no serious deterioration in the value of its residential property portfolio, he anticipated greatly improved results for the year.

In May, the company completed a one-for-two rights issue and the acquisition of 51 per cent of City Management.

Pre-tax profits from property and investments grew from £420,000 to £568,000, after reduced interest charges of £1.2m (£1.5m). Turnover was £9.76m (£3.63m).

WEAK DOLLAR AND HIGH RAW MATERIAL PRICES COULD DAMAGE PROSPECTS

All-round growth boosts Dawson

BY ALICE RAWSTHORN

Dawson International, Scottish textiles group, yesterday announced a 21 per cent increase in pre-tax profits to £19m for the first half of its financial year on turnover which rose by 6 per cent to £176.9m

Mr Ronald Miller, chairman, said that all the businesses within the group had performed well. Yet he voiced his concern that the combination of the decline of the US dollar and escalating raw material prices could detract from future trading prospects.

Two years ago Dawson was "gazumped" in its attempt to merge with Coats Patons, then a fellow Scottish textiles company, when Vantona Viyella mounted a successful counter bid. Next Tuesday Dawson will begin legal proceedings against Coats Patons and two of its directors, Mr James McAdam and Mr Michael Bell. It intends to sue for £9m to cover the costs of its bid.

Dawson's core business, the manufacture and marketing of luxury knitwear, was dogged by static demand in the interim period. Sales within West Germany and Spain were healthy. But the UK market - which recently recovered from a period of retail destocking - suffered from retailers' reluctance about building up stocks.

The weakness of the US dollar could affect the group's prospects in the US knitwear market, which traditionally provides 5 per cent of sales. Dawson hopes to counter the effects of adverse exchange rates by redirecting its US range towards more expensive, less price-sensitive market niches.

The recent rise in the price of wool is another cause for concern; as is the increased cost and threatened shortage of cashmere. Mr Miller said that the group plans to compensate through increased efficiency and new initiatives.

Dawson's spinning and raw material-processing companies benefited from buoyant demand; as did the thermal underwear and shower curtain companies in the US.

Ronald Miller: Fears about dollar's decline

(6.8p) in the six months to September 30. The board proposes to pay an interim dividend of 2.4p (2.1p).

● comment

Yet again Dawson has been plunged into problems through no fault of its own. As if the combination of a dwindling dollar and roaring raw material prices were not enough, it faces the threat of a fall in consumer demand. It would be foolish to overstate the effects of the dollar's decline on direct sales to the US: given that currencies are hedged and Dawson is sensibly steering its products into a less price-sensitive niches. But the exchange rate could deal a double blow bydetering the US tourists, who usually snap up luxury knitwear as souvenirs, from holidaying in Europe. Moreover the rise in raw material prices - coupled with the erraticism of cashmere supplies from China - poses a prickly problem. The City seems confident that Dawson will emerge unscathed this year, with profits rising to £52m and earnings per share to 22p. In the past it has proved remarkably resilient at weathering storms. Perhaps it can do so again.

CCA to double in size with £5.3m acquisitions

TWO SUBSTANTIAL acquisitions for initial considerations totalling £5.25m were announced yesterday by **CCA Galleries**, USM quoted retailer of prints, paintings and sculptures. The company's shares were suspended earlier in the day pending the announcement.

CCA also announced its interim results showing pre-tax profits down from £229,000 to £203,000 for the six months to end-June on turnover of £2.41m (£1.99m).

The company has conditionally agreed to acquire Henry Ling and Son (London), a publisher of greetings cards and associated products, for an initial consideration of £3.75m, satisfied by the issue of 1.6m new CCA shares at 125p each and the payment of £1.75m in cash. Deferred consideration of up to £2m is dependent on the level of pre-tax profit achieved by Ling in 1987.

CCA also has a conditional option to acquire Alan Hutchison Publishing, a publisher of diaries and address books, for an initial £1.5m to be satisfied by the issue of 1.2m new ordinary at 125p. A maximum deferred consideration of £1.65m depends on profits for 1988.

To satisfy the cash element of the consideration for Ling, and to provide additional working capital for the enlarged group, CCA directors have arranged for Morgan Grenfell to offer 4.12m new shares to qualifying holders at 125p each. Qualifying shareholders may apply for any number of new CCA shares. Pro rata entitlements are one new CCA share for every existing ordinary

Mr Charles Farrell, chairman, said that by the time of the announcement of the final results for 1987 the company would have been transformed into a broadly-based fine art group, more than doubled in size

Commenting on the interim results, Mr Farrell said 1987 still had an important trading period to go and good growth had been seen in all sectors of the UK market.

Tax took £73,000 (£89,000) leaving earnings unchanged at 3.3p per 10p share. The interim dividend is increased from 0.8p to 0.9p.

Tricentrol reduces third quarter losses to £2.1m

HIGHER OIL prices helped reduce the third-quarter loss at **Tricentrol**, oil producer, to £2.1m in the three months to September compared with £5.8m for the corresponding period last year. Over the first nine months, losses dropped from £9.6m to £4.2m.

The improvement was despite a Thistle Field maintenance shut-in over two weeks in July which helped reduce third quarter production to 708m barrels of oil equivalent (922m). Turnover increased from £4.9m to £7.4m and loss per share was reduced to 2.2p (4.7p).

The directors said that negotiations to arrange finance for the development of the company's gas fields and Wytch Farm were continuing satisfactorily. The post-tax loss of £2m for the third quarter, while an improvement on the corresponding £4.4m, reflected the Thistle Field maintenance shut-in.

The average price obtained by the company for oil from its working interests during the quarter was £12.12p per barrel compared with £6.74p per barrel in the corresponding period.

There was a gross profit of £2m (£2.1m loss). Net interest charges amounted to £3.4m (£3.8m). Petroleum revenue tax came to £100,000 (nil) and there was a reduced corporate tax credit of £200,000 (£1.4m).

Penny & Giles 38% midway rise

PROGRESS HAS continued at **Penny & Giles International**. The first half has seen pre-tax profits rise by 38 per cent, from £581,000 to £799,000.

The directors of this maker of electronic instrumentation for the aerospace and other industries said both UK and export orders served to confirm their opinion with respect to continuing the established pattern of growth.

They expressed confidence in prospects for the foreseeable future, and announced an increased interim dividend of 0.88p (0.76p).

Turnover for the six months ended September 30 1987 rose from £8.37m to £9.76m. Earnings were 5.81p (4.22p) after tax £276,000 (£202,000).

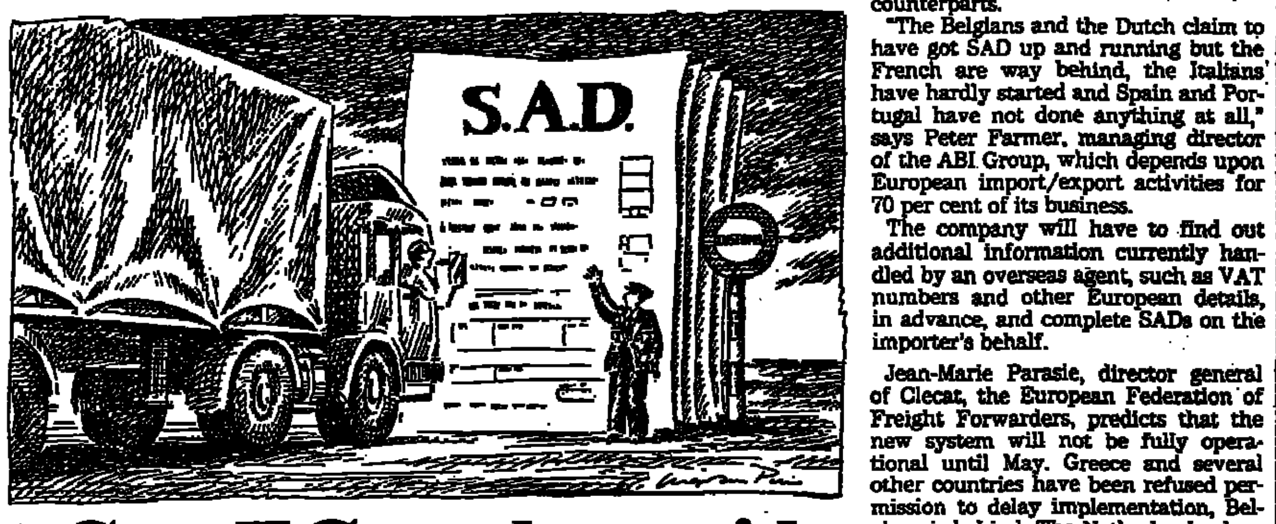
The factory building project at Christchurch (Dorset) was nearing completion in accordance with schedule. One building was already providing a "most useful" facility.

Moorgate Mercant.

Profits of **Moorgate Mercantile Holdings**, Sussex-based instalment credit finance and leasing company, rose from £851,000 to £1.2m over the six months ended September 30 1987.

Turnover expanded by £8.33m to £25.24m. Earnings worked through at 3p (2.13p) after tax of £421,000 (£298,000). The interim dividend is raised by 0.3p to 0.95p.

TECHNOLOGY



Can EC trade avoid new year logjam?

Maggie McLening explains why simplified freight movement depends on customs systems harmony

"WE AT customs will be prepared and ready for the new system; our concern is that some of the trade may not be. We are doing what we can to help, but if they are not prepared there will be difficulties."

So says Douglas Tweddle, assistant secretary at HM Customs and Excise about the major changes to international freight documentation which takes place on January 1, when the Single Administration Document (SAD) will be introduced in Europe, along with the Harmonised System of commodity coding. The changes will affect 85 per cent of world trade.

Not all of the EEC countries are ready to switch over, however, and standards for the electronic exchange of documents, which could speed up processing, have not been formally adopted. Delays are therefore likely.

The eight-part SAD replaces up to 100 existing import and export documents within the Common Market and is, ironically, intended to simplify procedures. It can be filled in either by hand or by computer, but a combination of both will achieve the fastest throughput.

A paper SAD has to accompany all consignments, and cannot be sent on ahead as at present. But Customs and Excise, which now handles over 80 per cent of its processing by computer, could process the documentation necessary to clear cargoes through ports in advance using an electronic SAD.

Customs and Excise offices have been sending out information on the new tariff for about 18 months, and reckon to have covered up to 90 per cent of trade by volume, although there are about 70,000 registered import and export companies.

But the remaining 10 per cent and irregular importers are causing concern, particularly when export documents from the UK are used as import documents to others. If the new documentation is incorrect, there may well be queues of vessels waiting to land their cargoes and further hold-ups in road haulage.

Electronic Document Interchange (EDI) will therefore play a vital part in speeding up operations nationally and internationally. About 1,000 of the forwarding agents have computers, so they could use EDI networks to exchange information. Some will be prevented from doing so, however, because the final format of the electronic SAD has not been formally entered in the United Nations Data Elements Directory (UNTDED). Indeed, two of the three network suppliers are holding out on making this facility available until the format is in the directory.

The three EDI shipping networks are: ASTI-Freightnet; the IBM Information Exchange service (formerly called Shipnet); and the ICL/Geisco joint venture, INS. The latter two have about 100 users who are members of the UK-EDI Association, while other companies have joined ASTI-Freightnet, a Swiss newcomer supplied in the UK by Freight Informatic Systems in Basildon.

IBM'S view of SAD is that it will only be added to the network once it is in the UNTDED, so there will not be an electronic SAD on January 1, although users will still have electronic input to customs through the Department of Trade and Industry ports system.

ASTI-Freightnet, a worldwide networking service based on Telecom Gold and Telemail public electronics mail services, took the view that more urgent action was needed and entry into the UNTDED was a formality, according to Trevor Horton, managing director of Freight Information Systems.

The company has worked closely with the Institute of Freight Forwarders and Customs and Excise to develop an electronic SAD for its 200 users to the EDI standards agreed but not yet published in UNTDED. ASTI's Trademaster PC software will generate import and export SADs automatically and forward them to all parties concerned, via the public network, and will do so by January 1.

"The UK is well ahead of the other European countries because the need for very thorough planning, and training was perceived and carried out. We have been running seminars with SITPRO (Simplification of Trade Procedures board) and customs, and have produced a distance learning pack," says Jim White, director general of the Institute of Freight Forwarders(IFF), which has 640 trade company members and 4,000 professional members. "The state of play abroad is variable - some countries haven't even started thinking about it yet."

White's fears are confirmed by IFF members' contacts with their European counterparts.

"The Belgians and the Dutch claim to have got SAD up and running but the French are way behind, the Italians have hardly started and Spain and Portugal have not done anything at all," says Peter Farmer, managing director of the ABI Group, which depends upon European import/export activities for 70 per cent of its business.

The company will have to find out additional information currently handled by an overseas agent, such as VAT numbers and other European details, in advance, and complete SADs on the importer's behalf.

Jean-Marie Parasie, director general of Clecat, the European Federation of Freight Forwarders, predicts that the new system will not be fully operational until May. Greece and several other countries have been refused permission to delay implementation, Belgium is behind, The Netherlands plans to process SADs manually, and West Germany has agreed an alternative method of clearing imported goods at the end of their journey.

In Southern Europe, where there is a system of licensed customs brokers to handle imports, customs may not be ready for the change and some freight forwarders in Italy, Spain, Portugal and France are fundamentally opposed to it in any case.

French exporters in particular are reluctant to change since the system is likely to change again in 1992 when trade barriers between EEC countries are due to be finally removed.

SAD is an important step towards paperless trading, scheduled for 1992 by the UK Government White Paper on International Market Proposals for removing trade barriers between EEC countries. Progress has been much slower than expected for mainly political rather than technical reasons. The EC has identified 300 changes necessary for harmonisation, and so far taken action over only 120, avoiding those in the fiscal area, such as VAT and sales tax synchronisation.

Since over half of British trade is outside the European Community these decisions have to be evaluated in the context of world trade and may be further affected by the 14-digit Harmonised System of commodity codes, enabling the type of goods and their origin to be identified anywhere in the world. The SAD will become redundant once paperless trading arrives, but in the meantime seems set to cause confusion.

WORTH WATCHING

Edited by Geoffrey Charlish

IBM launches $40m supercomputer plan

IBM HAS revealed that over the next two or three years it will be spending some $40m in Europe in an initiative "aimed at fostering the advancement of supercomputing" in the academic research and educational worlds. The supercomputer market is currently dominated by Cray Research and Control Data of the US.

The plan is to provide free hardware and software to bring five European centres of advanced IBM computing up to supercomputing standard, by upgrading existing or new model 3090 machines to maximum power and versatility.

One of the centres will be in the UK, but the site has yet to be decided. All five will be linked by the European Academic Research Network which started as an IBM initiative in 1982.

A similar network already exists in the US, centred on Cornell University. There, massive computing problems ranging from mapping the Earth's crust to simulating black holes in space are carried out by 1,300 research scientists.

At the moment, IBM is under considerable pressure from a mainframe computer sales slowdown.

Supercomputing, mainly the province of the military and academe, is set to spread into commercial fields like banking. It is clear that IBM intends to play a bigger part than it has so far.

Insight into chase for superconductors

THE US market research organisation Technical Insights of Fort Lee, New Jersey, says it has identified 42 companies throughout the world that are doing important work in superconductivity.

In a new report report called "Superconductivity: A Guide to the Corporate Players," Technical Insights describes the activities of the companies, which range from AT&T and IBM to little known start-up groups.

The report also lists the research people involved, with complete contact information. It costs $295 in the US and $330 outside the country.

Deadly look of the helicopter gunner

HELICOPTER GUNNERY has reached the point at which in order to aim the gun, the gunner merely looks at the target.

The secret lies in his helmet, which carries a Ferranti sighting system linked to a gun turret developed for helicopters by Lucas Aerospace.

Using a reticule (cross-hair sighting device) built into the helmet and an associated sensor, Ferranti provides steering commands by measuring the orientation of the sensor to the helicopter within a reference magnetic field.

Then, the gun points wherever the gunner is sighting the cross hair. Almost instantaneous engagement can be provided within a wide field of view.

The system has already been demonstrated on a German BO105 helicopter. Further studies have been completed on the use of the idea for missile installations.

Full machining drill comes automatically

SWEDISH COMPANY Nikom of Saggatan is offering an automated production system that can carry out drilling, threading, milling and sawing operations on round and rectangular sections of metal or wood. These pieces of material can be up to 1.5 metres long, and of the kind used to make windows, doors, furniture, computers and many other products.

The sections are first placed on a 1.5 metre feed table where they are automatically oriented and then gripped by a pusher rod which is driven by a powerful servo motor. This can move a section at 1.5 metres per second and place it in the machining unit with an accuracy of 0.1mm.

Down the length of the machining unit are arranged up to 10 drilling and threading devices, three milling units and one or two saws allowing various angles of cut, for example 45 deg or 90 deg.

Machining can be from all sides, at any angle and up to 50 different processes per part can be carried out. For pure sawing operations, the sections can be arranged in bundles to achieve high productivity.

The entire system is controlled by a 32-bit industrial computer with dedicated keyboard for rapid job programming.

Swedes are first to digital punch

SWEDISH TELECOM claims it is now operating "the industrial world's first nationwide digital telecommunications network." The company says that from anywhere in Sweden a customer with a digital PABX (company exchange) can now be digitally linked to the telecoms network and transfer data at 64,000 bits(about three typed pages) per second. Domestic subscribers will notice that their connections are made more quickly.

The total investment over five years has been $US3.5bn, a good deal of which has been spent on 80 Ericsson AXE digital exchanges throughout the country, interconnected by coaxial cable, microwave links and optical fibre cable.

Compressing prices of aluminium parts

A COST-CUTTING aluminium component-making process, which is a combination of casting and pressing, is to be marketed in the UK and Scandinavia by a new company, Cobapress of Walsall.

The process allows cast aluminium parts to reach standards of performance comparable with forgings or iron castings. It consists of conventional casting in a mould, followed by final forming in a 1,000 tonne press at about 150 degrees C, using special press tools made at the same time as the casting mould.

The resulting parts have better dimensional tolerances and metallic structure than those produced by conventional methods. They have a high standard of surface finish, less final machining is needed and it is claimed that the components can withstand higher stress loads. The parts can be produced at prices that are 30 per cent less than forgings.

The new company is owned equally by the Butler Group of Walsall and Fonderies de St Jean of Belleville in France. Production will take place in both countries.

Japan carries day with Drexler reader

DREXLER TECHNOLOGY Corporation of the US says that the Japanese company Olympus Optical has developed a portable device for reading the Drexler Laser Card.

Drexler has been developing and licensing its optical card technology for some years and there has been difficulty in developing reliable reading units.

The cards, the size of a credit card, use similar principles to optical discs, but record in rows and columns. They can hold data equivalent to up to 800 pages of text.

CONTACTS: IBM UK: 0705 694941. Technical Insights: US, (201) 568 4744. Ferranti Defence Systems: UK, 031 337 2442. Nikom, Sweden, 381 15577. Swedish Telecom: Sweden, 8 713 4330. Cobapress: UK, 0543 452245. Drexler Technology: US, (415) 969 7277.

APPOINTMENTS

Ferranti executive chairman

Following completion of the merger of Ferranti and International Signal & Control Group the following board appointments have been made at FERRANTI. **Sir Derek Alun-Jones** becomes executive chairman. **Mr J.H. Guerin,** executive chairman of ISC, joins the board as deputy chairman; **Mr N.C. Blackwell,** senior vice-president, marketing, of ISC, **Mr R.C. Ivy,** an executive director of ISC, and **Mr J.H. Zilligen,** finance director of ISC, are appointed executive directors of Ferranti, while **Mr J.M. Fox** and **Mr J.A. Heywood** become non-executive directors. **Mr B.Z. de Ferranti** continues as a non-executive director and has become honorary president of Ferranti.

★

TSB COMMERCIAL HOLDINGS - the TSB Group subsidiary which controls United Dominions Trust and Swan National - has made five senior appointments. **Mr Don McCrickard,** a group board member, becomes deputy chairman of UDT. He will remain managing director of TSB Commercial Holdings, and chairman of Swan National. **Mr John Bourke,** currently managing director of UDT Bank, becomes managing director of United Dominions Trust. He is also joining the boards of TSB Commmercial Holdings and Swan National. Three general managers of UDT become directors. They are **Mr Hamish Paton, Mr Michael Gibson** and **Mr Gordon Skingley.**

★

Mr Mark Ellsmore has been appointed financial director of the BURGESS GROUP. He was with Allen-Bradley, a subsidiary of Rockwell International. **Mr Arthur Hopwood** has relinquished his post as group finance director, but remains a director and company secretary.

★

Mr Robert J. Woodbridge has been appointed a director of RIGGS A P BANK from December 1. He is an executive vice president of The Riggs National Bank of Washington, DC.

★

Mr John Spiers has been appointed managing director of ECS ENERGY CONSERVATION SYSTEMS, a company in the Whitecroft lighting division. He was group managing director of Multitone Electronics.

★

Mr Leighton Passmore has been appointed sales director of BARTON ALUMINIUM FOUNDRIES, a member of the Barton Engineering Group. He was general manager (sales).

★

Mr Robert J. Steel has joined the board of BULLOUGH and has been appointed deputy managing director of ther group. He joined Bullough in 1976 and became managing director of the project office furniture subsidiary. More recently he has been responsible for the division which includes Project, Propaflor, Johnson & Starley, Reznor and Business Aids.

★

J.H.MINET & CO has made **Mr Anthony Paxton** its divisional executive clams director for the engineers and contractors, international non-marine facultative and oilex divisions. **Mr Philip Ottey** has been appointed a director of the oil and gas offshore division.

★

Mr Keith Bury has been elected chairman of the NATIONAL ASSOCIATION POF WASTE DISPOSAL CONTRACTORS. He is managing director of Waste Mangement.

★

NOREX has appointed **Mr Leo Upton** executive director of strategic planning. He was a director of the Gault Armstrong Kemble Group, recently acquired by Norex.

★

Mr P.R. Williams has been appointed a director of HIGGS AND HILL MANAGEMENT CONTRACTING, based at the head office in New Malden, Surrey.

★

Mr V.H.B. Cload has been appointed as the first chief executive of AILSA TRUCK FINANCE. He joins from a consultancy post having previously been sales operations director with United Dominion Trust.

★

From November 30 **Mr Peter Heming-Johnson** will be joining HOENIG INSTITUTIONAL SERVICES as a senior equity dealer.

★

CLEANAWAY has extended its board of directors. The board now comprises: **Mr Peter Heath,** managing director; **Mr David Weir,** financial director; **Mr Doug Benjafield,** director, technical services; **Mr Peter Neill,** director waste services, northern division; and **Mr Alan Jones,** director, waste services, southern division. Mr Heath takes on particular responsibility for the company's landfill activities. Mr Benjafield will devote his attention to developing Cleanaway's technical services division. Mr Neill was previously general manager for the technical services division and Mr Jones general manager foe waste services division, south.

★

Mr Evan Sutherland, director of supplies at the North Western Regional Health Authority, is to be assistant director of procurement with specific resposibility for tendering and contracting for the entire NHS.

★

COLLEGE HILL (UNDERWRITING AGENCY), specialist underwriters for performance bonds on behalf of Aegon Insurance Company (UK), has made three appointments. From December 1, **Mr Harold Livesey** becomes a director and head of bond underwriting; **Mr Trevor Jones** becomes an underwriter and **Ms Christine M. Brown** an assistant underwriter. They were all with General Surety & Guarantee Co.

★

Mr Charles Green, a deputy group chief executive of National Westminster Bank, has been appointed chairman of the overseas committee of the CONFEDERATION OF BRITISH INDUSTRY. He will also sit on the central council reporting on international affairs.

★

Mr Neil Newton is joining FULTON PREBON STERLING on February 1 to direct the project finance service, in particular funding of joint private and public sector projects. He was borough treasurer of Bromley. His appointment follows **Mr Paul Cammies'** promotion to deputy managing director.

★

Mr Malcolm Smith, formerly of British Telecom and Spicer Pegler, has been appointed managing director and chief executive of DECIMAL TECHNOLOGY, part of the Frank Graham Group.

★

GEEVOR TIN MINES has appointed **Mr Nicholas J.H. Hall** to the board as finance director.

Kleinwort reshuffle

As reported in the Financial Times yesterday there have been a number of senior appointments made in the KLEINWORT BENSON GROUP. Joining the Kleinwort Benson Lonsdale (the holding company) board on January 1 will be: **Mr Jonathan Agnew,** chairman of Kleinwort Benson Securities; **Mr Timothy Barker,** head of the corporate finance division; **Mr Robert Brooks,** group compliance officer; **Mr Clive Crook,** chairman of the group's three fixed interest subsidiaries (Kleinwort Grieveson Charlesworth, Kleinwort Benson Government Securities In., and Virginia Trading Corporation); **Mr Philip Guy,** head of the treasury division; **Mr Nigel MacEwan,** president of Kleinwort Benson Inc. in North America; **Mr Martin Mays-Smith,** currently head of the banking division, who will relinquish that post to join the group business development team as a member of the KBL board; **Mr Simon Robertson,** head of international corporate finance; and **Mr Stephen Unwin,** currently head of North American banking, to take over as head of the banking division. Kleinwort Benson Ltd will have a newly-formed executive committee comprising senior executives representing the main business of the merchant bank, chaired by Mr Agnew. Executive decisions in Kleinwort Grieveson Investment Management will continue to be handled by an executive committee of KGIM.

★

BRITISH GYPSUM has appointed **Mr John Hannah** as sales and marketing director. He joins from Eternit Building Products where he was deputy managing director.

★

CAMERON MARKBY has appointed as its first director of information services **Ms Wendy R. London,** a specialist in the design of legal information systems.

★

ROYAL TRUST BANK has appointed **Mr Peter Roberts** as senior associate director; **Mr Michael Brierley** as divisional director and financial controller; and **Mr David Pellett,** who joins from Charterhouse Bank, as divisional director, credit.

★

Mr Corrie Halliday has been appointed group finance director of KLEEN-E-ZE HOLDINGS.

★

Mr Robert Fox has been appointed a non-executive director of CLARKE HOOPER. He is a director of a number of US mutual funds and will remain based in the US.

David Kinloch to join Caledonia Investments

Mr David Kinloch is to resign as an executive director of British & Commonwealth Holdings, the financial services and industrial group, to join CALEDONIA INVESTMENTS, the Cayzer family's quoted investment company which recently reduced its stake in B&C from 31.3 per cent to less than 5 per cent, *writes Clay Harris.* The move is intended to strengthen the management at Caledonia, which will have more than £427m in proceeds from the sale of its B&C stake to invest over the next four years. Mr Kinloch will be one of only three executive directors.

COMMODITIES AND AGRICULTURE

Platinum price war on the cards

BY KENNETH GOODING, MINING CORRESPONDENT

PRICE WARFARE could hit platinum as early as next year, according to the latest annual review of the platinum industry by Shearson Lehman Brothers.

Supply is set to mushroom from 1989 onwards with a plethora of new projects on the drawing board, the author, Miss Rhona O'Connell points out.

"It is clear that a number of producers in Southern Africa (which accounts for over 80 per cent of output) will be prepared to sustain a price war if necessary and if prices are not driven down by sustained oversupply, then they will fall because of undercutting measures", she adds.

The review argues that the platinum market is already in fundamental oversupply.

Over the past five years demand has risen by an annual 5.6 per cent helped mainly by the use of platinum in emission control catalysts for cars. Total offtake this year is forecast to climb from 89 tonnes in 1986 to 95 tonnes.

WESTERN WORLD PLATINUM MARKET	1988 (f)	1987 (e)	1986
PRODUCTION (tonnes)			
Primary	94.4	91.8	84.0
Secondary	13.8	13.4	11.6
Total	108.2	105.2	95.6
DEMAND (tonnes)			
Autocatalysts	34.4	32.5	32.7
Jewellery	29.3	28.5	26.6
Total	100.6	95.1	89.3
Change in Nymex stocks	--	-0.3	+0.2
NET SURPLUS	7.6	10.4	6.1
Annual average prices ($ per ounce)	510	556	465

f = forecast, e = estimated

But the historic rate of growth in supply is higher at 5.7 per cent a year - and from a larger base. Total 1987 supply is put at 105 tonnes, up from 96 tonnes last year, says Miss O'Connell.

However, the surplus available for investment may be less than the suggested 10 tonnes because consumers have rebuilt stocks and producers are thought to be selling less than their full production.

The effect of oversupply has outweighed platinum's strategic nature and, along with fears of a recession which would cut car demand, led to the recent 24 per cent fall in the price from the summer level of $570 to $620 an ounce, the review says.

But the fall to price parity with gold at one stage "appears to have been overdone" and platinum's price should stabilise marginally above current levels.

Platinum currently is about $511 compared with around $477 for gold.

This year Shearson forecasts prices averaging $556 an ounce, compared with 1986's $465.

Prices in 1988 will to some extent depend on action taken by the US Administration to deal with its budget deficit.

Shearson says it is still unclear whether the US will inflate its way out of its current problems. If this happens prices would range between $475 and $710 an ounce, averaging $625.

On the other hand, if tax increases and spending cuts are adopted, resulting in a deflationary recession, the market may range from $552 down to a possible low of $395, averaging $460.

Annual Review of the World Platinum Industry: 1987" from Shearson Lehman Brothers, Old Broadgate, London EC2M 7HA

Canadian mint reports gold coin 'rush'

BY KENNETH GOODING

THE STOCK market crash in October has completely changed the outlook for gold coin producers because "small but serious investors" have rushed to put gold bullion and gold coins back in their portfolios, according to Mr Murray Church, director of communications for the Royal Canadian Mint.

In the two weeks following the October 19 "melt down" in equity prices, the Mint received orders for its Maple Leaf coins equivalent to 200,000 troy ounces of gold, compared with the usual demand of 100,000 ounces a month.

The rate of sales had slowed since then but even so the Mint now expects to sell coins containing 1.35m ounces of gold this year. Before the crash it had forecast the total to fall to about 1m ounces.

Mr Church suggested that sales in 1986 might even match the 1.5064m ounces achieved last year.

Maple Leaf coins, in four sizes and of 99.99 per cent pure gold, absorb about half the output from all Canada's gold mines and are mainly exported. Western Europe takes 45 per cent, Asia 30 per cent with 25 per cent going to North America.

In the post-crash period, demand for the coins was particularly strong in Austria, Switzerland and West Germany, said Mr Church, who was on a promotional visit to London.

Sales of the Maple Leaf coins, introduced ten years ago, reach a peak equivalent to 1.878m ounces of gold in 1985 but have fallen following the launch last year of the US Eagle gold coin.

Mr Church admitted that the *Eagle at first captured nearly all* the Maple Leaf's sales in the US without enlarging the market for gold coins as much as the Canadian Mint had hoped.

He suggested, however, that the Eagle had yet to establish effective distribution outside the US and that the Maple Leaf was winning back market share in the US itself.

So the Maple Leaf had won back its position as the biggest-selling gold coin with sales by mid-November this year equivalent to more than 1.2m ounces of gold compared with the Eagle's 1.07m ounces.

The Canadian coin also faces new competition from the Nugget, introduced a year ago by the Western Australian Mint in Perth (another coin of 99.99 per cent pure gold or 24 carats) but which so far has made most headway outside Australia among investors in Asia.

Mr Church said it was too early to judge the impact of the UK Royal Mint's Britannia coin (of 22 carat gold or of 91.67 per cent purity like the Eagle) which was launched last month.

All indications pointed to another strong year for the Maple Leaf in 1988, he said.

Brazil to argue for lower cocoa 'floor'

By Ann Charters in Sao Paulo

THE BRAZILIAN delegation to the International Cocoa Organisation meeting starting in London on Monday is to propose a reduction in the buffer stock manager's "must buy" trigger price under the International Cocoa Agreement (ICCA). Brazil, the world's second biggest cocoa producer regards this as a necessary move toward solving the problems of oversupply and low prices on world markets.

Its delegation will propose a drop from 1,600 to 1,480 special drawing rights per tonne. Since this would still be above the current market level, however, it would not, unless price rise, remove the bsm's obligation to make support purchases once the agreement's economic clauses come back into force.

The proposal is part of Brazil's long term strategy to make price levels more realistic internationally, thereby reducing the cost of trying to prop up the international cocoa market and discouraging excessive production in an already-oversupplied market.

Reports on the cocoa producers' meeting in Brasilia this week, where agreement has been sought on the country's stance at the ICCO meeting, have stated that the country is particularly concerned that non-members such as Malaysia have been encouraged to raise production by the continued efforts of the ICCO to boost prices.

Opec overproduction makes oil price increase unlikely

BY LUCY KELLAWAY

OPEC MEMBERS will to meet next month amid signs that combined production for December is running at nearly 19m barrels a day - over 2m barrels higher than the official ceiling - while while the latest forecasts suggest that demand for the first quarter of next year could fall as low as 15.5m barrels a day.

According to Kleinwort Grieveson Securities, production will remain high next month, despite the recent fall in spot prices to below $18 a barrel. The broker argues that most Opec members are keeping production up by offering discounts, so as to enhance their bargaining position in anticipation of a new agreement on production quotas.

The expected squeeze on Opec at the beginning of next year is a result of heavy overproduction since the summer, which has resulted in an unseasonal stock-building rate of 500,000 b/d in the last three months of this year. With demand forecasts 1.5m b/d lower than expected two months ago, few observers expect a price increase at next month's meeting from the official level of £18 a barrel to compensate for the recent fall in the value of the dollar.

Iran, which is coming under pressure after US and French oil embargos is believed to be offering discounts in Europe of up to $2 a barrel, in an attempt to shift an overhang of Iranian crude of up to 20m barrels of oil.

According to Mr Charles Maxwell of Cyrus J Lawrence, 90 per cent of Opec oil is now being sold at market related prices. He argues that the proportion is likely to rise to 100 per cent in the next few weeks, as refiners shun all crudes offered at official prices in favour of cheaper discounted deals. As a result, he *forecasts a fall in the oil price to* $15 a barrel by mid February next year.

The few members, Saudi Arabia is one, which have hitherto been reluctant to offer large discounts have suffered a reduction in liftings. According to a recent report by Petroleum Intelligence Weekly Saudi production for November may fall some 300,000 to 500,000 barrels below its offical 4.3m ceiling.

Colombian coffee crop threatened by disease

DISEASE PROBLEMS are likely to cause a sharp fall in Colombian coffee production next season, a conference in Bogota was warned this week, **reports Reuter.**

Colombia occupies second place in the world coffee league, a long way behind Brazil but well ahead of the next biggest producer.

This season's crop is expected to total at least 12m bags (60 kgs each) but in 1988/89 growers may be hard put to harvest 10m bags, delegates were told.

Mr Diego Arango Mora, chief delegate for the Quindio region, which usually produces about 9 per cent of the country's production, told the National Coffee Conference that disease problems being experienced now would affect next year's production.

Diseases including rust are causing beans to dry up before ripening in parts of the Cauca and Caldas regions, as well as Quindio.

Mr Mario Gomez Estrada, president of the Coffee Growers' National Committee, said older plantations had been hit by rust at a time when beans were plentiful. Weakened plants, some as much as 15 years old, were not resisting, he said, and the problem would show up in the flowering period next March.

Colombia is expected to export around 9.7m bags of coffee this year, including sales to countries outside the International Coffee Organisation. That would represent a substantial fall from the export record of 12m bags achieved in 1986/87, when ICO export quotas were suspended.

Canadian pulp producers lift prices

By Robert Gibbens in Montreal

CANADIAN PULP producers have posted increases of 7 per cent to 7.4 per cent with effect from January 1 1988 in European, North American and Asian markets, and the tightness of world stocks suggests the new prices will stick.

The price increases apply to northern softwood bleached kraft pulp used in a wide variety of papers and in which Canada and Scandinavia are market leaders. The price in Europe and Japan will rise by 7 per cent from $635 to $680 per tonne. The North American price will rise 7.4 per cent from $610 to $655 per tonne. These are listed prices which may be discounted for major customers, but provide a guideline to the market.

The North American softwood pulp price in the fourth quarter of 1985 was $390, at which level producers complained they were losing money. The price has risen each successive quarter since then and many industry observers expect to see a further increase in the first half of 1988 as long as the world economy remains relatively strong.

The tightness is most evident in softwood pulps and world stocks are close to historic lows.

The four companies initially announcing the increases are Repap Enterprises; Canfor Corporation; Northwood Pulp, a subsidiary of Noranda; and Irving Pulp and Paper. Other export producers are expected to follow.

Uzbekistan cotton

SOVIET authorities have lowered the annual target for cotton harvested in Uzbekistan after a series of poor crops, saying the state plan was unrealistic, **Reuter reports from Moscow.**

It quotes the the newspaper Selskaya Zhizn as saying that 4.8m tonnes of raw cotton had been brought in so far this year, nearly 200,000 tonnes less than last year's crop which was the worst in the republic's history.

Zimbabwe bans maize exports

ZIMBABWE HAS banned exports of maize to some countries to maintain grain reserves in the face of a threatened drought this season, **Reuter reports from Harare.**

An Agricultural Marketing Authority official said the central African country would continue shipping to neighbouring states hit by drought, but that exports to countries classified as "overseas", which includes South Africa, would stop. The ban will conserve about 250,000 tonnes of maize.

The worst drought in 40 years has reduced maize deliveries in 1986/87 to just under 500,000 tonnes, from 1.6m tonnes the previous season, and there are fears of another drought.

The country had stockpiled more than 1m tonnes from the previous season and currently has about 1.3m tonnes in its granaries. "We are still comfortable up to this time next year," the official added.

Anti-food aid lobby defeated over Indian dairy project

John Elliott on the third stage of the Operation Flood co-operative development

THE EC is to supply India next month with food aid in the form of 18,000 tonnes of skimmed milk powder and 6,000 tonnes of butter oil to start the third stage of the country's Operation Flood co-operative dairy development project, which is also being financed by the World Bank.

This is in addition to further aid - backed up by international commercial purchases of edible oil and other commodities - which India is using to offset the effects of a combination of widespread drought and floods. It is estimated that national daily milk production has been cut by 10 per cent in the last few months following an increase totalling 20 per cent over the last four years.

Next month's Operation Flood food aid is the first tranche of a 5-year EC donation for the third stage, which will total 75,000 tonnes of milk powder and 25,000 tonnes of butter oil worth between $200m and $250m. It was cleared earlier this month by the Community's food aid committee and goes to the European Parliament for ratification next month.

The World Bank has negotiated a $360m financial loan spread over seven years for the third stage. This has made it the biggest financial backer of Operation Flood, which started in 1970 and is the world's largest dairy development project.

The decision of the European Commission to go ahead with the third stage amounts to a defeat for European academics and other anti-food aid lobbyists, and a victory for Dr Verghese Kurien, the chairman of India's National Dairy Development Board.

Dr Kurien founded and runs the project, which aims to form a national milk grid linking new village co-operatives to major urban areas, together with allied operations making butter and other products. Funds raised by selling the food aid in the lean *milk season helps to finance* development of the co-operatives and grid.

The third stage of the project has been extended from five years to seven in order to give the board time to reach its production target of 18m litres of milk a day in the peak season. It has been decided that 70,000 co-operatives, instead of 50,000 as originally envisaged, will be needed to achieve this target. There are 47,000 at present.

The number of families involved is planned to go up from 4.7m to 8m, with peak season milk procurement rising from 11.2m litres a day to 18.3m litres. The daily average procurement throughout the year is planned to increase from 8.5m litres to 13.7m litres.

The EC and the World Bank intend to increase their control and influence in the third stage with detailed monitoring and other measures. They are anxious to counter criticism that food aid products were being dumped below market price by the board and that the existence of the food aid was holding back development of India's own production.

Dr Kurien rejects these criticisms. "I won't subordinate my judgment to anyone, including the EC, but if you can educate me that there's a better way to do something, then I'll listen," he says.

The EC is saying that food aid should not be sold to co-operatives below market prices, other than in subsidised sales to new co-operatives. *There will also be* a yearly review to see whether India's domestic milk production is large enough to make food aid unnecessary, in which case finance for developing the project would be provided instead. It also wants the aid to be used to help co-operatives and farmers directly, rather than through distribution facilities.

The total cost of the third stage is estimated at Rs9bn (about $700m) which includes Rs2bn generated internally by the dairy board in addition to the World Bank and EC funds.

The drought has cut milk procurement from village co-operatives by as much as 60-70 per cent in some of the worst hit areas in the states of Rajasthan and Gujarat. Floods in other areas have also hit milk production and Dr Kurien estimates that nationally there is a 10 per cent decline.

His organisation is having to pay farmers 15 per cent more and the National Co-operatives Federation is asking the Government for matching milk price increases.

To help offset the effects of the drought, the Indian Government has told the Dairy Board to buy 30,000 tonnes of butter and butter oil and 30,000 tonnes of milk powder from international markets. An initial 10,000 tonnes of each category has been purchased for delivery this month from West Germany and other European countries.

The board is discussing purchasing 500,000 tonnes of maize to supplement animal feed from the US, which is also considering aid donations of another 400,000 tonnes of maize and 5,200 tonnes of butter oil. In addition the EC is expected to supplement its earlier drought relief donations with 14,000 tonnes of edible and butter oils and skimmed milk powder.

The purchases from international markets are being conducted under countertrade arrangements, in line with the Indian Government's broad policy of negotiating offset deals on as many foreign transactions as possible to save foreign exchange.

WORLD COMMODITIES PRICES

LONDON MARKETS

NICKEL CONTINUED to outshine other LME metals yesterday as the price reached a fresh six-year high in dollar terms and, in after hours, a 2¼-year high in sterling terms. Dealers reported sporadic merchant buying and fresh speculative interest against a background of sustained consumer demand. The copper price rise appeared to have run out of steam, or at least paused for breath, with the cash grade A position losing £20 of the £120 gained in the first three days of the week. Aluminium eased further meanwhile. Coffee futures posted modest gains in what dealers described as a "quietly steady" market.

The US commodity markets were closed yesterday for the Thanksgiving holiday.

SPOT MARKETS

Crude oil (per barrel FOB January)		+ or -
Dubai	$16.60-6.70	
Brent Blend	$17.75-7.80y	+0.75
W.T.I.(1 pm est)		

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$180-182	+2
Gas Oil	$161-163	
Heavy Fuel Oil	$84-85	-3
Naphtha	$153-155	+2

Petroleum Argus Estimates

Other		+ or -
Gold (per troy oz)♣	$477.75	+1.00
Silver (per troy oz)♣	696.5c	-1.5
Platinum (per troy oz)	$510.50	+1.00
Palladium (per troy oz)	$123.00	+2.00
Aluminium (free market)	$1650	-40
Copper (US Producer)	114¾-125c	+4¾
Lead (US Producer)	42.00c	
Nickel (free market)	296c	+6
Tin (European free market)	£3880	+10
Tin (Kuala Lumpur market)	17.01r	+0.01
Tin (New York)	321.00c	
Zinc (Euro. Prod. Price)	$860	
Zinc (US Prime Western)	$44.375	
Cattle (live weight)†	103.58p	+2.45*
Sheep (dead weight)†	195.47p	+10.40*
Pigs (live weight)†	73.40p	-1.16*
London daily sugar (raw)	$200.80w	+5.40
London daily sugar (white)	$207.00w	+4.80
Tate and Lyle export price	£217.50	+2.50
Barley (English feed)	£110.00y	+0.50
Maize (US No. 3 yellow)	£134.50	
Wheat (US Dark Northern)	£92.25y	+0.50
Rubber (spot)♥	62.00p	+0.50
Rubber (Jan) ♥	63.75p	+0.75
Rubber (Feb) ♥	64.00p	+0.75
Rubber (KL RSS No 1)	261.00m	+0.50
Coconut oil (Philippines)§	$497.50s	+7.50
Palm Oil (Malaysian)§	$375.00	+15.00
Copra (Philippines)§	$320.00y	
Soyabeans (US)	$144.50	
Cotton "A" Index	76.70c	-0.70
Wooltops (64s Super)	493p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Dec/Jan. s-Jan/Feb. x-Nov/Dec.y-Dec. † Meat Commission average fatstock prices. * change from a week ago. ♥ London physical market. § CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg

COCOA £/tonne

	Close	Previous	High/Low
Dec	1092	1093	1098 1085
Mar	1123	1127	1130 1115
May	1143	1146	1147 1137
Jly	1162	1166	1160 1160
Sep	1181	1185	
Dec	1206	1210	1208 1205
Mar	1230	1233	1232 1230

Turnover: 1887 (5821) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for November 25: 1452.27 (1471.58) .10 day average for November 26: 1457.80 (1456.82).

COFFEE £/tonne

	Close	Previous	High/Low
Nov	1238	1221	1226 1222
Jan	1267	1258	1270 1253
Mar	1285	1274	1284 1275
May	1301	1296	1299 1295
Jly	1320	1315	1318 1316
Sep	1345	1340	1342 1342
Nov	1370	1365	

Turnover: 1324 (2287) lots of 5 tonnes
ICO indicator prices (US cents per pound) for November 25: Comp. daily 116.35 (116.47); 15 day average 115.94 (115.74).

SUGAR $ per tonne

Raw	Close	Previous	High/Low
Dec	179.00	176.40	
Mar	181.60	179.40	182.80 179.20
May	181.60	179.80	182.60 179.20
Aug	181.60	180.40	182.20 179.80
Oct	182.20	181.00	183.00 180.40
Dec	185.20	183.00	
Mar	189.20	186.00	
White	**Close**	**Previous**	**High/Low**
Mar	213.10	211.20	213.50 210.50
May	217.50	215.20	217.80 215.60
Aug	224.00	223.00	222.50 218.50
Oct	224.00	223.00	222.50 218.50
Dec	225.00	224.00	219.50 219.50
Mar	230.00	228.00	
May	233.00		

Turnover: Raw 3048 (3700) lots of 50 tonnes; White 1029 (1454).
Paris- White (FFr per tonne): Mar 1197, May 1222, Aug 1265, Oct 1264, Dec 1275, Mar 1310.

GAS OIL $/tonne

	Close	Previous	High/Low
Dec	162.00	161.75	162.75 161.50
Jan	161.25	161.00	162.25 161.00
Feb	160.25	158.50	160.25 159.25
Mar	154.50	154.75	155.50 154.50
Apr	151.75	151.50	151.75 151.75
May	151.50		151.75 151.75

Turnover: 1905 (4545) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jan	115.50	115.00	115.60 115.00
Mar	117.50	117.00	117.70 117.05
May	119.90	119.30	120.10 119.40
Jly	123.05	121.75	123.30 121.95
Sep	103.00	102.15	103.00 102.70
Nov	104.75	104.05	104.75 104.50
Barley	**Close**	**Previous**	**High/Low**
Jan	107.85	107.80	108.00 107.75
Mar	109.70	109.75	110.00 109.70
May	111.50	111.60	111.70 111.50
Sep	97.90	98.00	98.00 97.90
Nov	99.90	100.00	100.00 97.90

Turnover: Wheat 711 (528), Barley 140 (71) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 250 tonne
Cash	1650-70	1690-710	1695/1660	1650-55		
3 months	1630-50	1670-90	1656/1635	1630-50	1645-55	2,419 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 11,750 tonne
Cash	918-20	935-8	917	915-6		
3 months	898-900	917-8	909/898	899-900	902-3	60,512 lots
Copper, Grade A (£ per tonne)						Ring turnover 49,750 tonne
Cash	1556-66	1580-2	1551/1550	1550-2		
3 months	1325-6	1357-8	1358/1270	1321-2	1317-8	79,808 lots
Copper, Standard (£ per tonne)						Ring turnover 525 tonne
Cash	1480-500	1450-70	1515/1500	1510-5		
3 months	1310-20	1335-45		1305-15		29 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	691-3	693-5		692-7		
3 months	703-5	705-8		704-9	705-10	627 lots
Lead (£ per tonne)						Ring turnover 11,125 tonne
Cash	372-3	379-81	370	370-1		
3 months	358-9	361-2	364/357	357.5-8	357-8	12,792 lots
Nickel (£ per tonne)						Ring turnover 1,986 tonne
Cash	3650-60	3560-70		3590-600		
3 months	3580-1	3493-4	3650/3500	3510-5	3600-50	11,517 lots
Zinc (£ per tonne)						Ring turnover 4,800 tonne
Cash	483.5-84	484-5		483-4		
3 months	483.5-84	484-5	486/483	482-3	483-4	15,138 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	95.0	102.50	
Mar	90.0	90.50	
Apr	150.1	150.10	151.5 150.0
May	163.5	164.00	
Nov	80.0	85.00	
Feb	88.0	98.00	

Turnover: 107 (131) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Dec	147.00	146.50	
Feb	144.00	143.20	143.60
Apr	138.50	138.90	139.00
Jun	129.00	128.70	
Aug	126.50	126.50	125.50
Oct	127.50	127.00	
Dec	129.00	128.50	

Turnover: 195 (335) lots of 100 tonnes.

FREIGHT FUTURES £/index point

	Close	Previous	High/Low
Jan	1241.0	1240.0	1250.0 1240.0
Apr	1275.0	1274.0	1280.0 1127.5
Jly	1142.5	1134.0	1142.5 1142.0
Oct	1236.5	1230.0	1236.5 1236.5
BFI	1169.0	1168.0	1169.0

Turnover: 146 (386)

FRUIT AND VEGETABLES
Apple prices are stable this week with cox's, russets, spartans and french golden delicious all unchanged, reports FFVB. Oranges are, 10-30p each, and bananas 35-55p a lb, the same as last week. Conference pears remain unchanged at 22-35p a lb and comice 30-50p. In the shops this week are ocean spray cranberries 80p-£1.00 a half-lb punnet, and kiwifruit from Italy 10-20p each. Brussels sprouts are down to 20-30p a lb (20-35p). Root vegetables are the same as last week with carrots 14-24p a lb, parsnips 15-35p, turnips 20-30p and swedes 16-18p. Potatoes are in good supply at 10-13p a lb for whites and 13-15p for reds. Spanish tomatoes are up to 45-65p a lb (40-60p). Homegrown round lettuce is costing 30-40p each, and carmel celery is 40-60p a head (40-60p).

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	477½-478	268-268½
Opening	477¼-477¾	265¾-266¼
Morning fix	477¾	266¼
Afternoon fix	477¾	266¼
Day's high	477¾-478¼	
Day's low	476½-477	
Coins	**$ price**	**£ equivalent**
US Eagle	491-496	273-276
Mapleleaf	491-496	273-276
Britannia	491-496	273-276
Krugerrand	476½-479½	265½-267½
1/2 Krug	248-257	138¼-143¼
1/4 Krug	123-131	68½-73
Angel		
1/10 Angel		
New Sov.	112¼-113¼	62½-63¼
Old Sov.	112¼-113¾	62½-63½
Noble Plat	523-533	291½-297

Silver fix	p/fine oz	US cts equiv
Spot	387.30	695.00
3 months	395.70	707.75
6 months	404.25	720.95
12 months	421.90	749.75

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.5%)	Calls Jan	Calls Mar	Puts Jan	Puts Mar
Strike price $ tonne				
1625	72½	75½	52½	100
1650	60	65½	65	114½
1700	49½	56½	79	130
Copper (Grade A)	**Calls Jan**	**Calls Mar**	**Puts Jan**	**Puts Mar**
Strike price $ tonne				
2500	189½	174	164½	353
2550	166½	158	191	386
2600	145½	145½	219	420
Copper (Grade A)	**Calls Jan**	**Calls Mar**	**Puts Jan**	**Puts Mar**
Strike price £ tonne				
1400	82½		53	
1425	51		66	
1450	41		80½	

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar shows little change

CURRENCY TRADING was reduced to a bare minimum in Europe yesterday with all US markets closed for Thanksgiving Day. Consequently the dollar was confined to a very narrow range and there was no incentive to take out positions either way.

Most people were content to remain on the sidelines since trading today is also likely to be restricted because of the temptation to extend yesterday's holiday into a long weekend. In addition there were no economic figures due for release and the continuation of talks to implement the agreed outline of cuts in the US budget deficit ensured that most speculators were unlikely to make any solid commitment.

Some dealers were also suggesting that the hectic trading seen over the past two months had left many operators looking for an early wind down ahead of Christmas.

Recent moves to cut some European interest rates were taken with a pinch of salt in the US, suggesting that West Germany, which initiated a general cut in rates elsewhere, was still working on domestic needs rather than making any gesture to show approval of the limited progress made in cutting the US budget deficit.

The dollar closed at DM1.6685 compared with DM1.6675 and Y134.55 against Y134.70. Elsewhere it finished at SFr1.3685 from SFr1.3705 and FFr5.6625 compared with FFr5.6575. On Bank of England figures, the dollar's exchange rate index was 95.8 from 95.9.

STERLING-Trading range against the dollar in 1987 is 1.7950 to 1.4710. October average 1.6620. Exchange rate index was 75.7, unchanged from the opening and compared with 75.8 on Wednesday and 72.8 six months ago.

Sterling was confined to a narrow range in the absence of any fresh incentives. A lack of movement in the dollar and the Bank of England's determination to keep the pound below DM3.0 meant that trading was always likely to to remain thin.

The pound closed at $1.7945 from $1.7950 and DM2.9950 compared with DM2.9925. It was barely changed against the yen at Y241.50 from Y241.75 and finished elsewhere at SFr2.4550 from SFr2.4600 and FFr10.1625 from FFr10.1550.

D-MARK-Trading range against the dollar in 1987 is 1.9305 to 1.6590. October average 1.8011. Exchange rate index 151.2 against 147.1 six months ago.

The D-Mark made a small gain against the dollar in Frankfurt in rather quiet trading. Trading volume was low and the dollar closed at DM1.6665 compared with DM1.6715.

This week's cut in some European interest rates may have provided limited support for the US unit but until there was further progress to reduce the twin trade and budget deficits in the US, the longer term outlook remained bearish.

Earlier in the day the dollar had been fixed at DM1.6669 from DM1.6724 and there was no intervention by the Bundesbank.

JAPANESE YEN-Trading range against the dollar in 1987 is 159.45 to 134.20. October average 143.27. Exchange rate index 228.8 against 222.1 six months ago.

Trading was quiet in Tokyo and confined to a narrow range because of the closure of US markets. The dollar finished at Y134.75 compared with Y134.80 in New York on Wednesday and Y134.50 in Tokyo.

With business today likely to be restricted to some extent by traders turning the holiday into a long weekend, there was little incentive to out positions either way.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov.26	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1465	+1.62	+0.83	±1.5344
Danish Krone	7.85212	7.95904	+1.36	+0.57	±1.5404
German D-Mark	2.05853	2.06465	+0.30	-0.49	±1.0981
French Franc	6.90403	6.99851	+1.37	+0.58	±1.3674
Dutch Guilder	2.31943	2.32347	+0.17	-0.62	±1.5012
Irish Punt	0.768411	0.776584	+1.06	+0.81	±1.6684
Italian Lira	1483.58	1520.14	+2.46	+2.11	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov.25	Close	Previous Close
£ Spot	1.7920-1.7925	1.7920-1.7930
1 month	0.34-0.33pm	0.32-0.31pm
3 months	0.66-0.63pm	0.66-0.63pm
12 months	1.70-1.67pm	1.85-1.77pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov 26	Previous
8.30 am	75.7	75.8
9.00 am	75.8	75.8
10.00 am	75.8	75.7
11.00 am	75.7	75.6
Noon	75.7	75.7
[illegible]	[illegible]	[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

CURRENCY RATES

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

CURRENCY MOVEMENTS

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

OTHER CURRENCIES

Iran	122.05*	67.65*
Korea(Sth)	1422.00-1434.85	793.80-800.20
Kuwait	0.49850-0.49950	0.27775-0.27785
Luxembourg	62.50-62.60	34.80-34.90
Malaysia	4.4835-4.4950	2.5010-2.5030
Mexico	3676.05-3768.65	2050.00-2100.00
N. Zealand	2.8360-2.8410	1.5805-1.5830
Saudi Ar.	6.7300-6.7360	3.7495-3.7505
Singapore	3.6610-3.6685	2.0395-2.0415
S. Af (Cm)	3.5370-3.5530	1.9700-1.9740
S. Af (Fn)	5.4395-5.6095	3.0305-3.1250
Taiwan	52.90-53.15	29.50-29.60
U.A.E.	6.5920-6.5980	3.6725-3.6735

*Selling rate

EXCHANGE CROSS RATES

DM	0.334	0.599	1	80.63	3.393	0.820	1.125	735.2	[illegible]
YEN	4.141	7.431	12.40	1000	42.08	10.17	13.95	9118	[illegible]
F Fr.	0.984	1.766	2.947	237.6	10	2.416	3.316	2167	[illegible]
S Fr.	0.407	0.731	1.226	99.37	4.140	1	1.373	896.9	[illegible]
H Fl.	0.297	0.532	0.889	71.66	3.016	0.728	1	653.4	[illegible]
Lira	0.454	0.815	1.360	109.7	4.615	1.115	1.530	1000	[illegible]
C $	0.426	0.764	1.274	102.8	4.324	1.045	1.434	937.0	1
B Fr.	1.599	2.869	4.788	386.1	16.25	3.925	5.388	3520	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Quiet trading on Liffe

SHORT STERLING deposit futures fell back from the day's high on Liffe after Mr Nigel Lawson, the Chancellor, dampened hopes of an early cut in UK bank base rates.

The December contract was trading near the day's high of 91.19, before Mr Lawson's statement to the Commons, but fell back to close at 91.15, compared with 91.12 previously.

Long term gilt futures traded quietly yesterday, lacking any economic news from the UK, or trading in Chicago, to provide inspiration.

December gilts opened slightly firmer at 120-13, which was also the lowest level of the day. The contract touched a peak of 120-28, before closing at 120-19, against 120-10 on Wednesday.

The market in equity futures was equally lifeless, with the December contract opening at 167.50, and closing at 167.60, against the previous settlement of 167.80.

US Treasury bond futures traded quietly, reflecting the lack of a market in Chicago. US credit markets finished mostly lower on Wednesday, with reasonably strong economic data cited as a negative factor

December delivery US bonds opened lower on Liffe at 87-29, and closed around the middle of a fairly narrow trading range at 87-25, compared with 88-04 previously.

Japanese government bond futures opened weaker on Liffe, after a sharp fall in late Tokyo trading. Selling developed in Tokyo on disappointment at the failure of the cash market to react more favourably to the terms of the Finance Ministry's offer of December bonds.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Mar	Puts-Last Dec	Puts-Last Mar
116	5.44	6.25	0.60	1.57
118	4.16	5.08	1.32	2.40
120	3.03	4.02	2.19	3.34
122	2.04	3.06	3.20	4.38
124	1.22	2.21	4.38	5.53
126	0.56	1.46	6.08	7.14
128	0.34	1.15	7.50	8.47
130	0.22	0.56	9.38	10.24

Estimated volume total, Calls 1065 Puts 440
Previous day's open int: Calls 16224 Puts 10465

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
82	5.45	5.45	0.57	1.45
84	4.19	4.29	1.31	2.29
86	2.60	3.26	2.08	3.26
88	1.62	2.34	3.10	4.34
90	1.13	1.54	4.25	5.54
92	0.44	1.19	5.56	7.19
94	0.25	0.57	7.37	8.57
96	0.14	-	9.26	-

Estimated volume total, Calls 2 Puts 75
Previous day's open int: Calls 733 Puts 345

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Jan	Puts-Last Dec	Puts-Last Jan
18000	3.54	8.28	15.94	17.13
18250	2.95	-	17.85	-
18500	2.44	6.66	19.84	20.51
18750	2.00	-	21.90	-
19000	1.63	5.30	24.03	24.15
19250	1.33	-	26.23	-
19500	1.07	4.18	28.47	28.03
19750	0.86	-	30.76	-

Estimated volume total, Calls 0 Puts 0
Previous day's open int: Calls 43 Puts 135

LIFFE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LIFFE- EURODOLLAR OPTIONS

[illegible]

LONDON

[illegible]

CHICAGO

[illegible]

CURRENCY FUTURES

[illegible]

MONEY MARKETS

Lawson dampens rate cut hopes

DISCOUNT HOUSES had already decided there was little prospect of a change in UK bank base rates before Mr Nigel Lawson, Chancellor of the Exchequer, told Parliament "At the present time I do not think any reduction is appropriate."

UK clearing bank base lending rate 9 per cent from November 5

Three-month interbank was quoted at 9-8 13/16 p.c. yesterday, compared with 9-8⅞ p.c. on Wednesday.

Earlier this week the reduction in West German, French, and Dutch interest rates led to speculation that UK rates would soon follow, but after the Bank of England declined to cut its money market intervention rates the tone became less optimistic.

The houses have shown some reluctance to sell bills at the present intervention rate, in expectation of a cut, but yesterday were happy to sell the necessary number of bills to the Bank of England at the earliest opportunity.

The Bank of England initially forecast a money market shortage of £400m, and revised this to £450m at noon.

Before lunch the authorities bought £463m bills outright, by way of £382m bank bills in band 1 at 8⅞ p.c. and £81m bank bills in band 2 at 8⅞ p.c.

No further help was provided in the afternoon.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £512m, with a rise in the note circulation absorbing £95m, and bank balances below target £5m. These factors outweighed exchequer transactions adding £200m to liquidity.

In Frankfurt call money fell to 3.00-3.15 p.c. from 3.35-3.45 p.c., trading just above the rate at which the West German Bundesbank now absorbs excess funds by selling Treasury bills. The three-day Treasury bill rate was cut to 3 p.c. from 3.20 p.c. on Wednesday, following a reduction in the securities repurchase agreement level to 3.25 p.c. from 3.50 p.c.

The domestic market in Frankfurt was described as awash with funds, leading to suggestions that there should be no problem in banks meeting end of month minimum reserve requirements.

Bank holdings at the central bank were slightly higher at DM49bn on Tuesday, compared with DM48.4bn on Monday, providing an average of DM53.8bn for the first 24 days of November. The average set by the Bundesbank for the whole month is DM52.8bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.26) 3 months US dollars		6 months US Dollars	
bid 7⅞	offer [illegible]	bid [illegible]	offer [illegible]

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

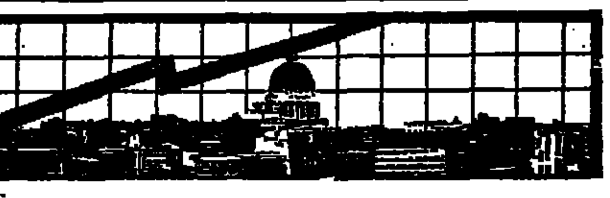
NEW YORK (4pm)

Prime rate	8.75
Broker loan rate	8.00
Fed.funds	6¾-6⅞
Fed.funds at intervention	6⅞

Nov.26	Overnight
Frankfurt	3.00-3.15
Paris	8.4375
Zurich	30.00
Amsterdam	4.8125
Tokyo	3.53125
Milan	10.25
Brussels	7.10
Dublin	7.75

LONDON MONEY RATES

Nov.27	Overnight
Interbank Offer	9.125
Interbank Bid	2.00
Sterling CDs	-
Local Authority Deps.	9.00
Local Authority Bonds	-
Discount Mkt Deps.	9.00
Company Deposits	8.9375
Finance House Deposits	-
Treasury Bills (Buy)	-
Bank Bills (Buy)	-
Fine Trade Bills (Buy)	-
Dollar CDs	-
SDR Linked Dep Offer	-
SDR Linked Dep Bid	-
ECU Linked Dep Offer	-
ECU Linked Dep Bid	-



$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the latest available rate of exchange for the U.S. dollar against various currencies as of Wednesday, November 25, 1987. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

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ECU=$US1.23912 SDR1=$US1.35764
As of October 28, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	7⅞	7 15/16
Sibor:	7 15/16	8

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani	50.60	Greenland	Danish Krone	6.4125	Pakistan	Pakistan Rupee	17.5438
Albania	Lek	5.6252	Grenada	E. Caribbean $	2.70	Panama	Balboa	1.00
Algeria	Dinar	4.67	Guadeloupe	Local Franc	5.651	Papua New Guinea	Kina	0.8925
Andorra	French Franc / Spanish Peseta	5.651 / 112.34	Guam	U.S. $	1.00			
Angola	Kwanza	29.918	Guatemala	Quetzal	1.00 / 2.60	Paraguay	Guarani	320.00 / 550.00 / 877.50
Antigua	E. Caribbean$	2.70	Guinea	French Franc (l)	340.00 / 300.00			
Argentina	Austral	3.50	Guinea-Bissau	Peso	650.00	Peru	Inti (o,n,4) / Inti (f)	20.00 / 41.67
Aruba	Florin	1.79	Guyana	Dollar / Dollar (a)	10.00 / 20.00			
Australia	Australian$	1.444				Philippines	Peso	21.10
Austria	Schilling	11.713				[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 88 Vol	Feb. 88 Last	May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Stock
GOLD C	$ 460	16	32.50	-	-	-	-	$ 478
GOLD C	$ 480	27	20.50 A	-	-	-	-	$ 478
GOLD C	$ 500	186	11.10	-	-	-	-	$ 478
GOLD C	$ 520	214	7.80	8	15.10	125	25	$ 478
GOLD P	$ 420	-	-	44	5.50	15	7.50	$ 478
		Dec. 87		Jan. 88		Feb. 88		
EOE Index C	FL 165	20	12	5	17	-	-	FL 171.78
EOE Index C	FL 170	44	10.50	22	13.50	10	19 A	FL 171.78
EOE Index C	FL 180	53	5.50	38	9.50	4	14 A	FL 171.78
EOE Index C	FL 185	33	3.50	9	7.50	-	-	FL 171.78
EOE Index C	FL 190	1	3	17	5	-	-	FL 171.78
EOE Index C	FL 205	200	1	12	3	-	-	FL 171.78
EOE Index C	FL 210	16	0.80 A	3	2.60 A	-	-	FL 171.78
EOE Index C	FL 220	-	-	50	1.80	-	-	FL 171.78
EOE Index C	FL 225	-	-	154	1	-	-	FL 171.78
EOE Index C	FL 245	6	0.30	20	0.50	-	-	FL 171.78
EOE Index P	FL 155	131	2.60 B	150	5.50	-	-	FL 171.78
EOE Index P	FL 160	50	4.10	16	7.50	-	-	FL 171.78
EOE Index P	FL 165	56	6.80	59	11.50	-	-	FL 171.78
EOE Index P	FL 170	30	8.50	73	14.50	-	-	FL 171.78
EOE Index P	FL 175	3	11.60 B	14	16.50	-	-	FL 171.78
EOE Index P	FL 180	12	14	28	18.50	-	-	FL 171.78
EOE Index P	FL 185	17	18	-	-	-	-	FL 171.78
EOE Index P	FL 190	40	21.50 B	19	25	-	-	FL 171.78
$/FI C	FL 185	1	3.30	25	4.60	-	-	FL 187.50
$/FI C	FL 190	155	1.30	-	-	-	-	FL 187.50
$/FI C	FL 200	-	-	50	0.90	-	-	FL 187.50
$/FI P	FL 185	54	1.50	38	2.80	210	4.10	FL 187.50
$/FI P	FL 190	13	3.60	21	5.50	-	-	FL 187.50
		Jan. 88		Apr. 88		Jul. 88		
ABN C	FL 46	3	0.70	42	2.20	-	-	FL 40.80
ABN P	FL 46	15	5.60	39	5.60	-	-	FL 40.80
AEGON C	FL 60	19	2.20	10	4.50	-	-	FL 54.50
AEGON P	FL 55	42	4.80	-	-	-	-	FL 54.50
AHOLD C	FL 65	37	5	-	-	-	-	FL 62.50
AHOLD P	FL 60	11	4	-	-	13	7.80	FL 62.50
AKZO C	FL 120	257	1	29	4	7	6	FL 89.20
AKZO P	FL 80	130	3.40	9	6.50	6	10.50	FL 89.20
AMEV C	FL 45	59	1	32	2.50	3	4	FL 39.20
AMEV P	FL 40	75	3.80	5	5.20	-	-	FL 39.20
AMRO C	FL 75	2	0.70	49	1.50	5	2.80	FL 61.20
AMRO P	FL 55	90	1	-	-	-	-	FL 61.20
ELSEVIER C	FL 40	-	-	36	3.50	-	-	FL 37.30
GIST-BROC. C	FL 50	146	0.20	-	-	-	-	FL 28
GIST-BROC. P	FL 35	5	7.80	-	-	14	9.70	FL 28
HEINEKEN C	FL 140	38	4	3	7.70	8	10	FL 122
HOOGOVENS C	FL 40	-	-	24	1.90	-	-	FL 27.50
KLM C	FL 35	212	0.70	60	2.10	-	-	FL 27.90
KLM P	FL 30	16	3.70	-	-	-	-	FL 27.90
NEDLLOYD C	FL 160	32	1.20	80	4.20	-	-	FL 117
NEDLLOYD P	FL 100	27	4	13	8.50	1	11	FL 117
NAT.NED. C	FL 55	40	1.50	125	3.10	9	4.20	FL 49.80
NAT.NED. P	FL 50	107	3 A	5	4.50	-	-	FL 49.80
PHILIPS C	FL 55	385	0.30	85	0.60	-	-	FL 29.90
PHILIPS P	FL 50	772	21	719	21.30	8	21.50	FL 29.90
ROYAL DUTCH C	FL 240	176	1.20	54	4	-	-	FL 201.50
ROYAL DUTCH P	FL 250	223	50	220	49.40	-	-	FL 201.50
ROBECO P	FL 115	23	32	-	-	-	-	FL 81.90
UNILEVER C	FL 124	264	1.60	-	-	-	-	FL 105.90
UNILEVER P	FL 90	201	2.40	5	6	-	-	FL 105.90

TOTAL VOLUME IN CONTRACTS : 20,190

A=Ask B=Bid C=Call P=Put

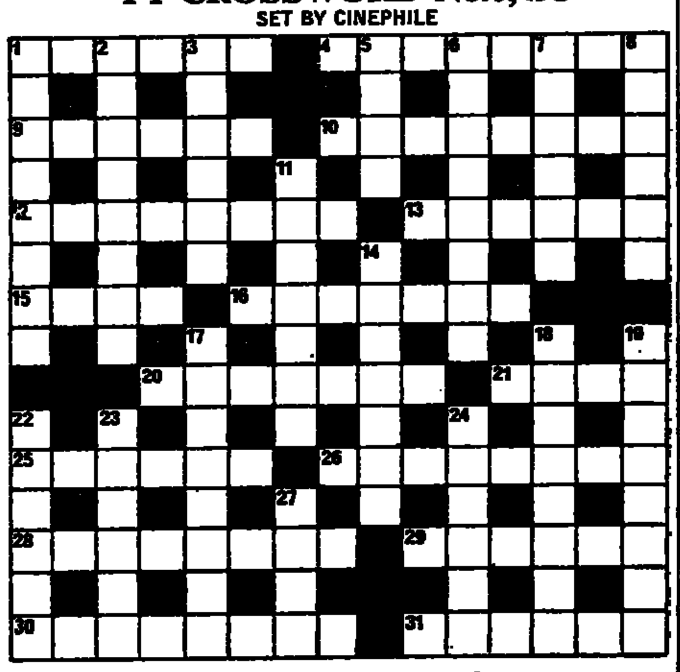
BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm.Bk.N.East	9	PK Finans. Intl(UK)	9½
American Exp.Bk	9	Consolidated Cred	9	Provincial Trust Ltd	10½
Amro Bank	9	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	10½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	10	Equat'l Tst Corp plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith & Williams Secs.	9
Banco de Bilbao	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp.	10½	TSB	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd.	10½	UDT Mortgage Exp	◊11.1
Bank Credit & Comm	9	● Robert Fleming & Co.	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptnrs.	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust Plc	9
Bank of India	9	Grindlays Bank	9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank Corp.	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambros Bank	9	Yorkshire Bank	9
Benchmark Tst Ltd	9	Heritable & Gen Inv Bk	9		
Beneficial Trust Ltd	10	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co.	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Central Capital	9	● Morgan Grenfell	9		
Cater Ltd	9	Mount Credit Cpn Ltd	9		

● Members of the Accepting Houses Committee. * 7 day deposits 4%. Savewise 6.66%. Top Tier-£2,500+ at 3 months' notice 8.31%. At call when £10,000+ remains deposited. ◊ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.125%

FT CROSSWORD No.6,493

SET BY CINEPHILE



H has the same meaning in all the across clues

ACROSS

1 H has sense about indefinite numbers (6)
4 H is a sailor wearing a bit of cloth (8)
9 H is silver in deep attachment (6)
10 H is to sell, entering actual return (8)
12 H sounds like some school time for schoolboy hero (8)
13 H for a hundred swarms?(6)
15 H will make money (4)
16 H for discussion outside society (7)
20 H makes rings round president with a deficiency (7)
21 H died in poor health (4)
25 H makes speculation about vase (6)
26 H finding French never many? (8)
28 H, recommended to Biblical physician, treated flesh with mulled ale (4-4)
29 H for horse (6)
30 H inverted ship for girl or girls (8)
31 H, sweet girl, sweet in part of Clydeside (6)

DOWN

1 End of match 40 hours a week? (4-4)
2 Greek battlefield for lamb stew and love (8)
3 Young bird of uncertain age gets handicapped (6)
5 Departing from a style? (4)
6 Resounded right with Common Market weeded (2-6)
7 Leave prima donna for bare rider (6)
8 The wicked get gold in the home (2,4)
11 Spanish gentleman concealed gaol-break (7)
14 Split, see below (7)
17 Common meat after singular vegetable? (8)
18 Tune for church service (3,5)
19 Polly was awful bore in cricket or theatre (4,4)
22 A vehicle for the queen's adverse critic? (6)
23 Girl changed plates for dishes (6)
24 Emperor gets 1 for oil from oranges (6)
27 Just a bit of fun? (4)

Solution to Puzzle No.6,492

```
GRAFFITI STREAM
E N U R  E G O
NIGHTJAR CANYON
D L I N  R P A
EYEGLASS EDITOR
R R E I A U I C
   STAGECOACH
A S S I G T N Y
PETITFOURS
P O E N E H M B
EXPERT ESCAPADE
T P L  S I R A
ITALIC PIERCING
T G N  V D N L
EMERGE DETONATE
```

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6993/4/5

Scimagr Global Gth Ac	26.7	28.5	—	—
Do. Income	26.6	28.3	—	0.19
Scimitar European Acc	20.5	21.9	-0.2	—
Do. Income	20.4	21.8	-0.2	0.11
Scimitar UK Eq Inc Acc	32.9	34.7	-0.2	—
Do. Income	31.5	33.2	-0.2	5.77
UK Cap Gth Acc	22.1	23.5	-0.2	—
Scimitar Pac Basin Acc	25.3	27.0	+0.7	—
Scimitar Mangd Exmpt*	132.2	137.8	-4.4	—

*Unauthorised

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-558 1051

Intnl Income Units	122.2	130.0	—	2.96
Intnl Accum Units	187.0	198.9	—	2.96
UK General Acc	33.8	36.2	+0.1	3.11
UK General Inc	32.5	34.8	+0.1	3.11
American	25.4	27.2	-0.1	0.64
European	34.8	37.2	—	0.64
Japan	49.8	53.3xd	+0.2	—
Technology	31.9	34.1	+0.1	1.42
Performance Trusts				
Far East Perf Tst	15.7	16.8	-0.1	0.64
High Inc Perf Tst Inc	21.3	22.8xd	-0.1	3.57
High Inc Perf Tst Acc	21.7	23.2xd	—	3.57
Worldwide Tact Perf Tst	24.7	26.7	+0.2	—

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK Equity)	189.3	202.5	+0.8	2.98
Columbus (America)	116.5	124.7	-0.9	1.37
Marco Polo (Pacific)	188.4	202.6	-0.5	0.41
Da Vinci (European)	212.0	226.8	-0.3	1.70
Drake	46.9	50.2	-0.1	2.37

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	178.2	189.6	+0.5	3.27
UK Smllr. Cos. Equity	180.5	192.1	+0.5	2.42
UK Special Situations	—	—	—	—
Income Plus	—	—	—	—
European	156.6	166.7	-0.1	1.95
Far Eastern	47.0	50.0	—	1.45
Japanese †	48.0	51.1	+0.3	0.19
[illegible]				

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-606 4955

TUUT Nov 2 87	196.2	206.6	—	3.07

Triton Fd Mngrs. Ltd.
Royal Ldn. Hse. Colchester CO1 1RA 0206 754400

Triton General	125.6	134.9xd	+0.1	1.82

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4R 248 3999

Convertible & Gilt	56.9	60.5	+0.1	6.67
Accum Units	56.9	60.5	+0.1	6.67
Income	71.8	76.2xd	—	5.72
Accum Units	71.8	76.2	—	5.72
Smaller Co's	80.7	85.9	-0.4	1.75
Accum Units	80.7	85.9	-0.4	1.75
UK Growth	83.5	88.5	+0.3	1.52
Accum Units	83.5	88.5	+0.3	1.52

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 400033

British Growth Fd	47.7	50.8	+0.2	1.40

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 6064
Advisers: Henderson Crosthwaite Ltd

Friars Hse Cap Fd	155.8	163.7	—	—
Friars Hse Inc Fd	139.0	146.3	—	—

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, E7 01-534 5544

United Charities	149.2	156.7xd	+0.1	4.95

Vanguard Trust Managers Ltd
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

Abingdon Prfs Accum	149.3	158.8	—	2.47
(Accum Units)	152.2	161.9	—	—
Far East & Gen	47.0	50.0	+0.2	1.04
(Accum Units)	47.0	50.0	+0.2	—
Master Portfolio	61.846	63.452xd	+0.187	3.27
(Accum Units)	63.287	64.930	+0.191	—
American & Gen	[illegible]	[illegible]	-0.1	2.14
[illegible]				

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assur.	364.2	372.9	—	–
Eb'r Ph. Eq.	304.1	323.2	—	–
Pension Plus Funds				
Phoenix				
UK Equity Acc.	148.6	156.4	+0.2	–
International Acc.	116.5	122.4	-0.6	–
Property Acc.	120.0	126.3	+2.3	–
Fixed Interest Acc.	150.5	158.4	-0.5	–
Money Acc.	129.8	136.6	+0.1	–
Bldg. Soc. Link Acc.	130.8	137.6	+0.1	–
Special Mngd. Acc.0	135.2	142.3	—	–
Phoenix/Framlington				
Intnl. Growth Acc.	75.3	79.2	+0.7	–
Amer. & Gen. Acc.	69.8	73.4	+0.1	–
Capital Tst. Acc.	157.2	165.4	-0.3	–
Japan & Gen Acc.	154.5	162.4	+1.0	–
American Turn. Acc.	68.8	72.4	—	–
Recovery Tst. Acc.	146.1	153.7	+1.0	–
Special Mngd Acc.	126.9	133.5	+0.1	–
Phoenix/GT				
International Acc.	112.4	118.3	+1.8	–
US & General Acc.	81.1	85.3	+1.8	–
Amer Spec Sits Acc.	54.7	57.5	+1.3	–
Japan & General Acc.	148.3	156.1	+1.0	–
Far East & Gen. Acc.	127.3	134.0	+3.4	–
UK Capital Acc.	144.9	152.5	-0.3	–
European Acc.	125.7	132.3	+1.8	–
Special Mngd. Acc.	112.5	118.4	+1.1	–

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	254.6	268.1	—	–
Man Pens Inc & Cap Fd.	323.2	340.3	—	–
Money Fund	110.1	115.9	—	–
Pens. Mngd Fd (Init)	77.6	81.7	—	–
Pens Mngd Fd (Acc)	85.8	90.4	—	–
Pens FT30 Fd (Init)	120.7	127.1	—	–
Pens FT30 Fd (Acc)	133.6	140.7	—	–
Pens O'seas MgFd(Init)	49.6	52.3	—	–
Pens O'seas MgFd(Acc)	54.9	57.8	—	–
Pens Fxd Int Fd (Init)	106.4	112.0	—	–
Pens Fxd Int Fd (Acc)	117.8	124.0	—	–
Pens Deposit Fd (Init)	100.2	105.5	—	–
Pens Deposit Fd (Acc)	110.9	116.8	—	–

Premium Life Assurance Co Ltd
Eastchester House, Haywards Heath 0444 458721

American	79.0	84.0	—	–
Building Soc. Fd.	156.0	165.0	—	–
Balanced	216.0	228.0	+0.1	–
Deposit	156.0	165.0	—	–
European	122.0	129.0	—	–
GT Managed	133.0	140.0	+0.1	–
Gartmore Mngd	95.0	100.0	-0.1	–
German	97.0	103.0	+0.1	–
Gilt	159.0	168.0	—	–

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prufund				
Managed Nov 11	184.8	192.5	—	–

Prudential Holborn Life Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed Fd.	395.8	416.7	—	–
Equity Fd.	773.6	814.2	—	–
Intnl. Fd.	288.7	303.9	—	–
Fixed Int. Fd.	355.3	374.1	—	–
Prop. Fd.	292.6	308.1	—	–
Cash Fd.	231.4	243.6	—	–
Pacific Basin Fd.	156.0	164.3	—	–
North American Fd.	113.6	119.6	—	–
European Fd.	134.8	141.9	—	–

Prudential Holborn Pensions Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed	426.1	448.6	—	–
Equity	593.1	624.4	—	–
Global Equity	177.6	187.0	—	–
Fixed Interest	366.9	386.3	—	–
Property	287.7	302.9	—	–
Cash	135.1	142.3	—	–
Index Linked Gilt	159.0	167.4	—	–
Guaranteed	9.75	10.25	—	–
International Money	182.2	191.8	—	–
North American Fd.	92.6	96.4	—	–
Japanese Fund	100.8	106.2	—	–
European Fund	69.0	72.7	—	–
Special Situations Fd.	86.5	91.1	—	–
Communications Fund	74.0	77.9	—	–
Smaller Cos Fund	87.3	91.9	—	–

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Nov 25	£114.41	118.81	—	–
Equity Fund Nov 25	£121.98	125.68	—	–
Intnl Fund Nov 25	£19.49	20.12	—	–
Intl Bond Fd Nov 25	£10.50	10.85	—	–
Fixed Int Nov 25	£65.66	66.53	—	–
Index Linked Nov 18	£48.38	48.99	—	–
Property Fund Nov 18	£72.32	76.99	—	–
Cash Fund Nov 25	£17.8123	17.8123	—	–
Pru-Linked Retirement Plan				
Managed Fd Nov 18	286.4	298.4	—	–
Cash Fund Nov 18	169.6	176.7	—	–
Prudential Pensions Investment Account				
Pens Man Fd Nov 26	117.5	123.7	-0.1	–
Pens UK Eq Fd Nov 26	208.8	219.8	+2.1	–
Pens Intl Fd Nov 26	136.9	144.2	-1.8	–
Pens Fxd Int Nov 26	149.8	157.7	-0.4	–

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

BRITISH FUNDS — Contd

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

1987 High	Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.	45	—	3.50	7.42
52	40	Do. 6pc 28 Stb. Ass.	45	—	3	6.37
50	45	Do 4pc Mixed Ass.	45	—	2	4.44
66	58	Hung. '24 Ass	64	—	2.75	4.16
146½	122½	Hydro Quebec 15pc 2011	137½	—	15.00	10.64
136¼	115½	Iceland 14½pc Ln 2016	125½	+¼	14.50	11.47
103½	94	Ireland 9¾pc '91–96	99¼	—	9.98	10.68

AMERICANS

[illegible]

Continued on next page

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON SHARE SERVICE

AMERICANS – Contd

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
43⅞	26	RJR Nabisco Inc.	27⅛	-1⅝	$1.60	–	3.4
39	21½	Rep NY Corpn $5	24½	+¼	$1.16	–	2.7
18⅛	8⅝	Rockwell Intl. $1	9⅝	-½	64c	–	3.9
30⅜	16⅛	Sara Lee $1(1/3)	19⅛xd	-⅛	$1.00	–	3.0
11⅞	8⅛	Saul (B. F.) $1	9⅝		20c	–	1.3
27⅛	2¼	Southwestern Bell $1	19¾	-⅛	$2.32	–	6.8
22⅛	10½	Staley Continental	16⅛		80c	–	4.3
44⅞	21⅝	Sun Co. Inc. $1	28½	+⅛	$3.00	–	6.1
42⅛	22⅛	TRW Inc. $0.625	23⅝xd	-⅛	$1.60	–	3.8
37⅛	22⅛	Tenneco $5	23⅛xd	+¼	$3.04	–	7.4
220	149½	Do. 10pcLn.Stk. 91-5	155xd		10%	–	6.7
29⅛	15⅞	Texaco $6.25	16⅝xd	+⅛	$3.00	–	10.4
74⅛	42⅝	Time Inc. $1	43xd	+⅛	$1.00	–	1.3
20⅞	11	Tracor $0.33(1/3)	17⅛xd		40c	–	1.3
30⅛	15⅝	Transamerica $1	18⅛xd		$1.84	–	5.8
14⅛	1¼	Transworld Corp $5	724p	-3	20c	–	1.6
27⅛	12⅛	TRINOVA Corp.	16	+⅛	56c	–	2.0
24⅛	12⅝	USX $1	16⅛	+⅛	$1.20	–	4.2
19⅝	10⅞	Union Carbide $1	11⅞xd		$1.50	–	7.3
37⅞	17⅛	Utd. Technologies	19⅛xd	+⅛	$1.40	–	4.1
36⅝	26⅛	US West	27⅛	-⅛	$3.28	–	6.8
30⅛	17⅛	Waste Management $1	19½	-⅛	–	–	–
31⅜	13⅛	Whirpool $1.0	14⅛	-⅛	–	–	–
37⅛	18⅛	Woolworth $3½	19⅛	+⅛	$1.32	–	4.0

CANADIANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
691p	227p	ABM Gold Corp	295p	+37	–	–	–
254p	10p	Abbot Energy Corp.	23½p	+4½	–	–	–
18⅛	506p	Amer. Barrick Res.	11⅛	+⅛	–	–	–
141p	6p	American Lightwave	7½p	+½	–	–	–
122p	33p	Armeno	37½p	+1½	–	–	–
117p	39½p	Augusto Explo.	44½p	+3	–	–	–
19⅛	10⅛	Bk. Montreal	10⅞xd		$2.00	–	8.1
10½	500p	Bk. Nova Scot.	532p	+10	72c	–	5.9
20⅛	15½	BCE	15½		$2.40	–	6.8
10⅛	511p	Bow Valley	539p	-1	40c	–	3.1
20	10⅛	Brascan	11⅛	+⅛	88c	–	3.4
609p	197p	Bralorne Res.	229p		10c	–	1.9

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LONDON SHARE SERVICE

INSURANCES – Contd

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
516	300	Pearl Group 5p	335	+12	†10.5	–	4.3	–
*£11¼	733	Prudential	780	–13	†29.0	–	5.1	–
598	350	Refuge 5p	385	–2	15.75	–	5.6	–
595	345	Royal	385	+5	†h15.5	–	5.5	–
110	85	Sabre Ins. Inv.	93	–2	–	–	–	–
*349	168	Sedgwick Group 10p	192		12.0	1.7	8.6	8.2
339	138	Steel Burrill J.10p	155		†9.0	2.0	8.0	8.6
668	403	Stewart Wr. 20p	628		‡13.0	2.0	2.9	21.9
612	303	Sturge Hldgs 20p	350		†16.0	2.5	2.3	22.9
£12⅞	645	Sun Alliance	803	–2	†23.5	–	4.0	–
£13	865	Sun Life 5p	930		†28.5	–	4.3	–
£69¾	£36½	♦Taisho M EDR	£43¾	+¾	♦010%	–	1.0	–
£22¾	£13½	Torchmark $1.00	£15½	–½	Q$1.00	–	4.5	–
410	235	Trade Indemnity	357		†4.3	–	1.6	–
£34	£19½	Travelers $1.25	£19½	–¼	$2.28	–	6.8	–
£30¼	£17¾	USF & G Corp $2.50	£17¾	–⅜	Q$2.48	–	8.0	–
£29⅝	£16½	USLIFE Corp. $1.0	£16¾	–½	Q$1.28	3.2	4.4	7.2
738	555	Utd Friendly B 10p	580	–10	21.0	–	5.0	–
464	202	Willis Faber 12½p	224	+2	†10.75	2.4	6.6	8.5
128	41	Windsor Secs. 10p	62	–2	†0.7	1.5	1.6	–

LEISURE

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
35½	10	‡A & M Group 10p	19		–	–	–	–
242	85	Airtours 10p	87		R6.4	1.5	8.7	10.3
*549	284	Anglia TV	284		†11.25	3.3	5.4	7.9
308	78	Arley	125		–	–	–	–
194	93	‡Aspinall Hldgs. 10p	93	–3	‡6.0	1.2	8.8	12.7
141	63	‡Avesco 1p	71		0.5	6.7	1.0	20.1
72	40	‡BCE Hldgs 5p	52	–2	L1.0	♦	2.6	♦
300	132	Barr & W.A.T. 'A'	185	–30	†8.0	1.6	5.9	15.1
58	22	Bond Media	24	–2	–	–	–	–
235	165	Boosey & Hawkes	170		–	–	–	–
83	28	‡Border T.V.	37	–1	1.4	♦	5.2	♦
*439	43½	Brent Walker 10p	282	–1	†8.5	2.2	4.9	13.6
124	79	Do 6pc.Cv.Cm.Rd.Pf.	94	+2	6.0	–	8.7	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES – Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES – Contd

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

TRADITIONAL OPTIONS

3-month call rates

[illegible]

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Oct 26	Nov 5	Nov 6	Nov 16
Nov 9	Nov 19	Nov 20	Nov 30
Nov 23	Dec 3	Dec 4	Dec 14

*New time dealings may take place from 9.00am two business days earlier.

Gilt-edged and equities trade in listless fashion ahead of Wall St. holiday

THE EXTENT to which the world's major securities markets have become gobalised was amply demonstrated yesterday in London, where investment interest was substantially reduced by the Thanksgiving Day closure on the other side of the Atlantic.

With the dollar also in limbo, UK securities markets were left largely rudderless, and neither Government bonds nor equities could develop any significant trend. There was little immediate response to the comment *from Mr Nigel Lawson, the UK* Chancellor of the Exchequer, that no further cut in (UK) interest rates was called for at present.

The big investment institutions were unwilling to take investment decisions while Wall Street was closed, and many traders in international stocks put in a somewhat token appearance at their computer screens.

A mixed response was given to another batch of trading statements from major British companies. The City is scanning corporate profits statements for signs that the market crash may signal recessionary pressures which will depress corporate profits next year. Some US securities houses, however, taking comfort from the most recent economic statistics from Washington, believe that the recessionary pressures will not arrive until 1989.

There was no concerted move by the markets to trading figures from such major names as **Rothmans, British Telecommunications,** as well as from three of the leading German banks.

The FT-SE 100 Index opened a shade easier, despite Tokyo's overnight firmness, and then shuffled around its opening levels for the rest of the day. At best, the index showed a 4 point gain, but the trading rooms commented that business was not sufficient to test many second line, and some blue chip, share prices. At the close, the FT-SE 100 Index was 3.4 down at 1660.7.

One feature was the renewed advance in shares of **Pearson,** the banking to publishing house and owner of the Financial Times, which closed 41p up at 668p as a single purchase of 500,000 shares reawakened speculative interest.

Glaxo shares remained dull as analysts took a look at the threat to Zantac pricing in the French market. While France is not a major market for the group, the danger of official curbs on drug pricing remains a serious threat for Glaxo which has taken a leading role in the international pharmaceuticals market.

Wellcome also shaded lower on reports that US drug firms were moving closer to challenging the firm's position in the AIDS treatment market. But selling was light, with investors unwilling to take positions while New York was out of the game.

In the Government bond sector, the Index-linked (IL) issues continued to move up, with the longer end now untapped. Conventional Gilts held firm, resisting the recent signs that some profits are being taken out and held in cash.

Mr Lawson's comments on interest rates, delivered in answer to a question in the *House of Commons, did little* more than confirm the market's view that UK base rates will not be cut, unless as part of an agreed international package. **British Telecom's** mid-term results contained few surprises apart from the disclosure that staffing levels have increased and not fallen. Analysts found little else to comment on in a statement seen as rather boring with interim profits of £1.12bn broadly in line with the market range.

A few were later inclined to trim forecasts for the full-year and this prompted one or two houses to either reduce or square their book positions. Inter-market trade expanded on the price downturn, leaving the shares a net 12 lower on the session at 213p. Volume finally totalled 22m shares.

Speculation that RTZ could meet with opposition in its attempt to take over **MK Electric** mounted after the announcement that French concern Legrand had requested a meeting with the UK electrical group. Legrand is believed to be Wednesday's mystery buyer and said yesterday that it did hold a share stake.

The RTZ cash offer of 550p per share is regarded by County NatWest has "not generous", although it may prove appealing in the current market. "MK has good growth prospects and the benefit of a strong cash flow. It has little US exposure and good management", says the securities house. Hopes of a counter offer or increased terms from RTZ were behind further buying of MK Electric shares which ended 24 higher at 585p.

FKI Babcock, formerly FKI Electricals, gave sector researchers cause to revise their profits numbers for future years. The interim statement indicated that the group's rationalisation programme, especially the integration of major acquisitions Babcock International and Stone International, was cracking ahead.

Alex Milne of BZW Securities said this is the key to the future and as the benefits start to come through, profits will increase sharply. His forecast for the current trading period remains at £41.5m but, along with other analysts, he has upgraded profits estimates for the next two years. The figure forecast for 1988/89 is £101m with earnings per share of 15.1p. Janet Sidaway of Citicorp Scrimgeour Vickers is forecasting similar results

The news excited both the market and investors. Turnover increased and the shares bounded foward to close 12 up on the day at 104p.

Plessey and **Ferranti** attracted attention, recording turnover of 4.2m and 3.1m shares respectively on news that Plessey has paid £30m cash for Ferranti's semiconductor business. "While not a major deal, the move gives Plessey a solid place in a sector where it wants to expand", commented John Tysoe of County NatWest Securities.

Plessey shaded 5 lower to 136p, while Ferranti, also reporting a £1.75bn Ministry of Defence contract for its computer systems division, gained 2 to 81p.

Rothmans International steadied confidence in the tobacco sector with the news of doubled profits for the first half and a favourable view of the rest of the year. Christopher Page of Scrimgeour Vickers, the Citicorp firm, considers the interim figures "tremendous" and is considering increasing his previous forecast of £195.5m pre-tax for the full year- though he is less sure about earnings in view of the higher tax charge.

Rothmans' confidence in the second half prospect contrasts with Wednesday's more cautious statement from BAT Industries. Some City analysts regard Rothmans as relatively recession-proof because of its place at the upper end of the tobacco market. The shares added 10 to 397p.

BPB Industries and **Redland** featured a subdued Building share sector in the wake of their respective trading statements. Some 2.9m BPB shares were traded as the market absorbed the interim results, but, despite profits around the top of City estimates, the price eased 9 to 244p as plasterboard competition worries remained a drag on sentiment.

Redland, a new player in the plasterboard market via its recently announced joint venture with CSR, the Australian buildings materials group, also revealed highly satisfactory half-year figures, but on a turnover of only 795,000 shares, softened a couple of pence to 361p.

Magnet were boosted by commentary on the interim results- for example County NatWest are recommending the shares very strongly to clients on the basis that the company is nowdemonstrating its ability to get back on the right track-and the share price responded with a gain of 4 at 174p.

Anchor Chemical continued to attract speculative support on hopes that another potential bidder may emerge to challenge the Air Products and Chemicals definite bid approach to the company and the price rose 10 further to 615p.

Among the clearing banks, **Midland** rallied from an early fall to close 2 off at 375p in relatively high turnover of 4.2m shares, with the total boosted by a line of 1.8m shares changing hands just below the market price.

First-time dealings in **TR Pacific Investment Trust** began at around 36p compared with a net asset value of 43.1p.

Of the major Brewers, only **Guinness** traded in any volume. Turnover was still relatively light, however, when compared with recent levels but the price rose 5 more to 258p. Reflecting Wednesday's uninspiring preliminary results, **Greenall Whitley** slipped further to 181p while Burton-on-Trent brewer, **Marston, Thompson & Evershed**, gave up 4 to 122p after yesterday's interim statement; trading results will continue to be dull until the volume decline is halted and the company begins to see the results of further refurbishment schemes, says the chairman.

Suggestions of a poor start to the Christmas trading subdued the main High Street retailers. Most drifted a shade lower, including **W.H.Smith "A"** which were subject to rumours that it could be contemplating a bid for the Asda subsidiary, Allied Carpets. Revived takeover speculation gave support to **Freemans,** up 8 at 174p, while press mention helped **Stormguard** harden to 11p. Elsewhere, **Acsis Jewellery** rose 5 to 70p.

Cable and Wireless soon regained its upward momentum after the previous session's fall on drab first-half figures. Renewed investment support was encouraged by a clutch of favourable circulars including a County NatWest prediction of the " last chance to get a cheap ride on the global digital highway". The shares settled 12 up at 303p. Other Electrical leaders either marked time or edged lower, with **Racal Electronics** losing 4 to 231p. A cash call for £8.2m, via a one-for-four rights issue, lowered **Applied Holographics** 30 to 363p.

Birmid Qualcast, already 9 up at 209p, soared to 244p, for a net gain of 44 on the announcement that major UK building materials group **Blue Circle Industries,** 8 down at 329p, had recently acquired a 2.6 per cent holding in the company. Birmid is a long-standing bid favourite and it is thought that Hepworth Ceramic is also interested in the company.

Ranks Hovis McDougall, which announced its intention on Wednesday to refinance its bank borrowings via the issue of £59m of convertible bonds, hardened two more to 294p. **Unigate** were a shade dearer at 261p. Among Food Retailers, **Kwik Save** perked up after moderatley bullish comment on the annual results and on hopes that major shareholder Dairy Farm will bring its influence to bear on the company. Dairy Farm now have a representative on the Kwik Save board. Kwik Save firmed 6 to 282p. **ASDA-MFI** touched 169p prior to drifting back to close two cheaper on balance at 165p, but **Tesco** added a few pence to 164p. **Argyll,** interim results due next Monday, improved a penny to 182p. **Normans** attracted speculative buying and firmed 2½ to 53p.

Leading Hotels edged higher reflecting the dollar's steadier performance. **Grand Metropolitan** hardened to 403p, after 404p and **Trusthouse Forte** added a penny to 197p. **Kennedy Brookes** dipped 10 to 218p owing to a lack of support.

British Aerospace were a dull market and closed 9 off at 313p; the company has entered negotiations to purchase Netherlands-based construction group Ballast Nedam Groep. **Hanson Trust,** on the other hand, added a penny to 130p prior to closing unchanged at 129p ahead of next Thursday's annual results; Kleinwort Grievson forecast profits of £725m for the year against £464m. **Norcros,** a rising market recently amid suggestions that Williams Holdings may have sold its stake, closed unchanged at 349p; **Williams,** which is thought to hold about 3 per cent of the Norcros equity, firmed 5 to 242p as the company denied that it had sold any Norcros shares. **Trafalgar House** were in demand ahead of imminent results and firmed 6 to 316p, while **Reckitt and Colman** moved up 16 to 744p in a thin market. **Hunter** gained a further 110 to 995p on expansion hopes; major Food group Hillsdown Holdings holds 77 per cent of the Hunter equity. **British Vita** attracted buyers at 372p, up 22 and **London International** revived with a gain of 4 at 268p. Dealings in **CCA Galleries** were suspended at 113p at the company's request pending shareholders' approval of the acquisition of Henry Ling and Son, a greetings card publisher; CCA also has an option to buy Alan Hutchison Publishing.

An extensive investment review by Morgan Grenfell Securities, which concluded with the advice that "this strongly cash generative group has the world-wide franchise and cost flexibility to ride out the current storm", supported **Saatchi & Saatchi.** Other Advertising Agencies followed and **Boase Massimi,** 214p, and **Lowe Howard-Spinks,** 285p, both around 10 higher.

Leading Properties moved narrowly with market makers reporting a very low turnover. **MEPC,** at 425p, lost Wednesday's gain of 10 that followed the good results, while **Land Securities,** having improved marginally early on, eased back to close unchanged at 450p. **British Land** edged up 8 to 243p in response to property acquisition news; the company has purchased Cereal House, St Mark's Lane London EC3 from the Equitable Life Assurance Society and the Scottish Amicable Life Assurance Society. The property has been purchased as part of British Land's strategy for the development of its Corn Exchange site. **Hammerson A** attracted support at 450p, up 10, but **Slough Estates** drifted off to close 5 cheaper at 237p.

Mersey Docks & Harbour responded to a land swop deal with Merseyside Development Corporation. In a complex agreement it has agreed to sell or lease 115 acres of Birkenhead docks no longer needed for shipping and will purchase 35 acres in Liverpool for future expansion of the port and of Liverpool freeport. The combined value of lands *being exchanged will not exceed* 5 per cent of the company's net assets. Following a modest turnover, Mersey Dock shares ended 28 better at 353p.

Courtaulds benefited from favourable comment on Wednesday's half-yearly results and gained 7 further to 333p. But **Dawson International,** despite fine interim figures, edged back on the chairman's warning about the possible effects on trading of the lower dollar and of higher raw material prices to close 10 easier at 189p.

Oil shares lacked thrust in London in the absence of Wall Street interest. Nervousness over the outlook for crude prices continued to unsettle the sector, but business was not sufficient to demonstrate a trend in share prices.

Traded option business contracted further. Total contracts amounted to 20,408 made up of 12,036 calls and 8,372 puts. **Hanson Trust,** annual results due soon, attracted 1,900 calls and 1,249 puts. The **FTSE** contract registered 333 calls and 775 puts.

Traditional Options

- **First dealings Oct 5**
- **Last dealings Oct 16**
- **Last declarations Jan 7**
- **For Settlement Jan 18**

For rate indications see end of London Share Service

Stocks to attract money for the call included Bristol Channel, Hawley, Ferranti, Lonrho, Ratners, Sears, Wheway, Sound Diffusion and Plessey. No puts or doubles were arranged.

FINANCIAL TIMES STOCK INDICES

	Nov. 26	Nov. 25	Nov. 24	Nov. 23	Nov. 20	Year Ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	89.80	89.80	90.45	90.61	91.03	81.77	93.32 (8/5)	83.73 (19/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.94	95.54	95.73	95.91	95.64	88.95	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1314.4	1316.6	1335.2	1309.4	1285.7	1286.0	1926.2 (16/7)	1232.0 (9/11)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	330.9	327.8	312.3	293.0	287.2	302.2	497.5 (4/8)	261.6 (6/11)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div.Yield	4.72	4.71	4.64	4.73	4.82	4.44				
Earnings Yld. %(full)	11.68	11.64	11.47	11.71	11.93	10.31				
P/E Ratio (net)(*)	10.47	10.50	10.66	10.43	10.25	11.84				
SEAQ Bargains (5pm)	17,295	21,955	24,801	24,205	28,924	28,696				
Equity Turnover (£m)	-	946.77	935.23	674.89	903.81	750.20				
Equity Bargains	-	25,707	26,332	27,515	30,167	34,056				
Shares Traded (ml)	-	335.8	403.1	349.0	481.4	355.9				

S.E ACTIVITY

Indices	Nov.25	Nov.24
Gilt Edged Bargains	121.2	134.4
Equity Bargains	166.6	170.6
Equity Value	1913.7	1890.3
5-Day average		
Gilt Edged Bargains	118.0	117.8
Equity Bargains	174.7	180.0
Equity Value	1758.1	2110.3

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1313.7	1321.0	1318.8	1321.2	1322.0	1319.3	1318.5	1316.0

Day's High 1322.5 Day's low 1313.5

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.33.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (3).

CHEMICALS (1) Anchor Chemical, STORES (1) Allebone, ELECTRICALS (1) MK Electric.

NEW LOWS (52).

AMERICANS (7) BANKS (1) BUILDINGS (1) STORES (1) ELECTRICALS (7) ENGINEERING (2) FOODS (1) INDUSTRIALS (6) INSURANCE (2) LEISURE (5) MOTORS (1) PROPERTY (1) TRUSTS (11) OILS (4) MINES (2).

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA-MFI	2,400	English China Clays	144	Plessey	4,200
Allied-Lyons	1,300	Enterprise Oil	71	Prudential	4,100
Amstrad	397	Fisons	204	Racal	2,200
Argyll Group	1,200	Gen. Accident	13	Rank Org.	123
Assoc. Brit. Foods	101	Gen. Elect	2,200	RMC	202
BAA	470	Glaxo	770	RHM	109
BAT	1,900	Globe Investment	31	Reckitt & Col.	86
BET	506	Granada	62	Redland	775
BICC	188	Grand Met	904	Reed Intl.	1,600
BOC	188	GUS A	283	Reuters	224
BPB Inds	2,900	Guardian R.E.	123	RTZ	1,000
BTR	420	GKN	390	Rolls-Royce	3,600
Barclays	606	Guinness	2,600	Rothmans	2,600
Bass	111	Hammerson	28	Rowntree	222
Beecham	1,000	Hanson Trust	1,400	Ryl Bank Scotland	632
Blue Arrow	792	Hawker Sidd	436	Royal Insurance	842
Blue Circle	458	Hillsdown Hldgs	761	STC	773
Boots	523	IMI	629	Saatchi & Saatchi	1,400
Brit. Airways	1,000	ICI	989	Sainsbury	429
Brit. Aero	973	Jaguar	645	Scott & Newcastle	425
Brit. & Comm.	111	Ladbroke	617	Sears	1,700
British Gas	5,600	Land Securities	1,000	Sedgwick	238
Britoil	434	Laporte	8	Shell Trans	326
BP	6,400	Legal & Gen.	201	Smith & Nephew	646
Brit. Telecom	22,000	Lloyds Bank	1,300	Standard Chart.	517
Bunzl	286	LASMO	71	Storehouse	424
Burmah Oil	642	Lonrho	259	Sun Alliance	62
Burton	1,100	Lucas	125	T & N	986
Cable & Wire	6,600	MEPC	451	TSB	1,000
Cadbury Schwps	741	Marks & Spencer	1,300	Tarmac	140
Coats Viyella	521	Maxwell Comms.	58	Tesco	1,000
Comm. Union	286	Metal Box	227	Thorn EMI	1,300
Cons. Gold	388	Midland Bank	4,200	Trafalgar House	2,500
Cookson	63	NatWest Bank	623	T'house Forte	705
Courtaulds	1,800	Next	321	Ultramar	318
Dalgety	59	Northern Foods	14	Unilever	1,100
Dee Corpn	2,600	Pearson	1,300	United Biscuits	498
Dixons Group	518	Pearl Assurance	936	Wellcome	1,000
		P & O	56	Whitbread A	415
		Pilkington Bros	769	Woolworth	3,700

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	92	10	13
Corporations, Dominion and Foreign Bonds	16	4	33
Industrials	319	414	832
Financial and Properties	109	151	371
Oils	30	24	57
Plantations	0	0	14
Mines	71	39	87
Others	72	86	100
Totals	709	728	1,507

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Equity Groups & Sub-Sections	Thursday November 26 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Wed Nov 25 Index No.	Tue Nov 24 Index No.	Mon Nov 23 Index No.	Year ago (approx.) Index No.
1–48	[illegible]										
49	INDUSTRIAL GROUP (483)	856.36	-0.2	9.82	4.03	12.84	22.29	857.74	870.43	854.05	842.33
51	Oil & Gas (17)	1605.19	+0.7	10.35	6.13	11.91	65.74	1594.78	1617.51	1582.99	1400.41
59	500 SHARE INDEX (500)	919.84		9.90	4.34	12.69	26.04	920.21	933.75	916.56	889.55
61	FINANCIAL GROUP (121)	601.09	+0.2	-	5.19	-	21.37	600.16	600.55	594.95	606.24
62	Banks (8)	619.19	+1.2	21.40	6.28	6.18	25.98	611.92	613.73	607.57	659.04
65	Insurance (Life) (8)	879.24	-0.7	-	5.23	-	32.56	885.06	888.59	884.73	851.72
66	Insurance (Composite) (7)	476.64	+0.3	-	5.78	-	20.16	475.41	479.77	477.86	447.31
67	Insurance (Brokers) (8)	784.45	+0.2	14.16	7.31	9.04	39.63	782.56	794.01	766.21	1209.18
68	Merchant Banks (11)	324.21	-1.2	-	4.38	-	8.77	328.13	329.39	322.68	355.07
69	Property (49)	902.70	-0.1	5.64	3.38	22.77	18.92	903.91	889.64	882.29	805.29
70	Other Financial (30)	366.32	-0.8	9.85	4.33	12.85	11.96	369.40	371.88	367.78	368.06
71	Investment Trusts (87)	785.28		-	3.21	-	17.14	785.71	787.11	774.56	839.59
81	Mining Finance (2)	408.09	-1.1	11.14	4.18	10.11	12.77	412.78	410.64	380.62	331.39
91	Overseas Traders (10)	887.07		10.26	5.50	11.42	37.00	886.79	889.78	863.67	757.56
99	ALL-SHARE INDEX (720)	834.64		-	4.44	-	24.49	834.85	844.66	829.64	813.07

	Index No.	Day's Change	Day's High	Day's Low	Nov 25	Nov 24	Nov 23	Nov 20	Nov 19	Year ago
FT-SE 100 SHARE INDEX ♦	1660.7	-3.4	1668.1	1659.9	1664.1	1689.1	1657.7	1633.4	1639.1	1632.5

FIXED INTEREST

	PRICE INDICES	Thu Nov 26	Day's change %	Wed Nov 25	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	124.14	+0.10	124.01	-	10.09
2	5-15 years	141.77	+0.24	141.43	-	12.14
3	Over 15 years	149.49	+0.28	149.08	-	12.41
4	Irredeemables	165.45	+0.20	165.12	-	13.35
5	All stocks	138.18	+0.20	137.90	-	11.58
	Index-Linked					
6	5 years	124.34		124.33	-	2.18
7	Over 5 years	116.42	+0.01	116.41	-	2.89
8	All stocks	116.90	+0.01	116.90	-	2.82
9	Debentures & Loans	119.00		119.00	-	10.46
10	Preference	85.44		85.44	-	6.02

	AVERAGE GROSS REDEMPTION YIELDS		Thu Nov 26	Wed Nov 25	Year ago (approx.)
	British Government				
1	Low	5 years	8.52	8.55	9.89
2	Coupons	15 years	9.22	9.25	10.56
3		25 years	9.12	9.15	10.56
4	Medium	5 years	9.15	9.20	11.28
5	Coupons	15 years	9.43	9.46	10.92
6		25 years	9.34	9.36	10.55
7	High	5 years	9.20	9.25	11.36
8	Coupons	15 years	9.56	9.59	11.10
9		25 years	9.36	9.38	10.60
10	Irredeemables†		8.97	8.99	10.29
	Index-Linked				
11	Inflation rate 5%	5yrs	2.70	2.70	3.68
12	Inflation rate 5%	Over 5 yrs	3.90	3.90	3.82
13	Inflation rate 10%	5 yrs	2.98	2.97	2.20
14	Inflation rate 10%	Over 5 yrs	3.95	3.95	3.66
15	Debs &	5 years	10.66	10.66	11.80
16	Loans	15 years	10.62	10.62	11.77
17		25 years	10.62	10.62	11.75
18	Preference†		10.62	10.62	11.79

♦Opening index 1660.2; 10 am 1667.5; 11 am 1663.9; Noon 1665.3; 1 pm 1665.2; 2 pm 1663.9; 3 pm 1663.3; 3.30 pm 1661.7; 4 pm 1661.5

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.
CONSTITUENT CHANGES: TR Pacific Basin (71) has been deleted and replaced by Tyndall Holdings (70).

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls Jul.	Puts Jan.	Puts Apr.	Puts Jul.
Allied Lyons (*329)	300	45	60	73	15	22	27
	330	27	38	53	30	40	47
	360	15	27	37	48	55	58
Brit. Airways (*142)	130	22	32	35	10	12	20
	140	15	21	30	12	17	25
	160	9	14	23	24	30	33
[illegible]							

Option		Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
LASMO (*228)	200	45					
	220	28					
	240	19					
P. & O. (*498)	420	95					
	460	65					
	500	45					
[illegible]							

November 26 Total Contracts 20,408 Calls 12,036 Puts 8,372
FT-SE Index Calls 333 Puts 775
*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1987 High	1987 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
-	F.P.	23/10	27	12	Atlantic Assets Wrrnts.	12	-1	-	-	-	-
§105	F.P.	6/11	160	71	‡Banner Homes 10p	75	+2	R2.6	2.9	4.7	9.8
330	120	-	88	75	British Petroleum	81		N12.5	1.5	5.9	14.5
§18	F.P	26/11	27	18	‡Chartsearch 1p	27		R0.44	3.0	2.3	19.1
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

JAPAN

JAPAN (Continued)

AUSTRALIA

AUSTRALIA (Continued)

HONG KONG

SINGAPORE

CANADA

TORONTO
Closing prices November 26

MONTREAL
Closing prices November 26

Total Sales 5,735,459 shares

Indices

NEW YORK-DOW JONES

	Nov 26	Nov 25	Nov 24	Nov 23	Nov 20	Nov 19	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Industrials	closed	1,948.85	1,983.53	1,923.08	1,913.83	1,896.38	2722.42 (25/8/87)	1738.42 (19/10/87)	2722.42 (25/8/87)	41.22 (2/7/32)
Transport	closed	737.43	740.71	728.29	728.28	720.58	1101.16 (14/8)	674.82 (28/10)	1101.16 (14/8)	12.32 (8/7/32)
Utilities	closed	180.54	182.28	181.72	181.72	180.42	227.83 (22/1/87)	160.98 (19/10/87)	227.83 (8/4/87)	10.5 (8/4/32)
Trading vol	-	138.79m	200.32m	143.16m	188.85m	157.73m	—	—	—	—

	Nov 20	Nov 13	Nov 6	Year Ago (Approx)
Ind Div Yield %	3.58	3.54	3.47	3.64

STANDARD AND POORS

	Nov 26	Nov 25	Nov 24	Nov 23	Nov 20	Nov 19	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Industrials	closed	279.80	282.36	278.01	276.81	274.38	393.17 (25/8)	257.81 (8/10)	393.17 (25/8)	3.62 (21/6/32)
Composite	closed	244.10	248.39	242.99	242.00	240.05	336.77 (25/8)	224.80 (19/10)	336.77 (25/8)	4.40 (1/6/32)

	Nov 18	Nov 11	Nov 4	Year Ago (Approx)
Ind div yield %	3.14	3.10	3.10	2.86
Ind. P/E Ratio	15.52	16.23	17.53	17.73
Long Gov Bond Yield	—	8.87	8.81	5.8

N.Y.S.E. ALL COMMON

Nov 26	Nov 25	Nov 24	Nov 23	1987 High	1987 Low
closed	136.80	137.93	136.13	187.90 (25/8)	127.88 (26/10)

RISES AND FALLS

	Nov 25	Nov 24	Nov 23
Issues traded	1,942	1,982	1,870
Rises	738	1,141	888
Falls	815	489	667
Unchanged	389	352	395

TORONTO	Nov 26	Nov 25	Nov 24	Nov 23	1987 High	1987 Low
Metals & Minls	2,558.1	2,514.1	2,451.8	2,388.5	3,507.5 (5/10/87)	1,988.2 (2/1/88)
Composite	3,875.5	3,823.1	2,884.3	2,918.3	4,112.9 (13/8)	2,843.9 (10/11)
MONTREAL Portfolio	1,537.86	1,515.58	1,500.73	1,466.40	2,224.77 (12/12)	1,435.94 (28/10)

* Indicates pre-close figure

	Nov. 26	Nov. 25	Nov. 24	Nov. 23	1987 High	1987 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1311.8	1297.3	1266.1	1249.3	2305.9 (21/9)	1151.0 (11/11)
Metals & Minerals (1/1/80)	749.6	722.4	689.3	664.4	1462.4 (14/10)	586.9 (11/11)
AUSTRIA						
Credit Aktien (30/12/84)	181.06	182.45	181.92	181.36	232.19 (22/9)	172.01 (11/11)
BELGIUM						
Brussels SE (1/1/80)	3829.8	3844.10	3831.7	3813.61	5402.2 (13/8)	3527.5 (30/10)
DENMARK						
Copenhagen SE (3/1/83)	(u)	183.60	182.70	180.51	219.76 (27/8)	179.60 (20/11)
FINLAND						
Unitas General (1975)	574.7	571.2	567.9	573.6	679.1 (15/10)	425.2 (5/1)
FRANCE						
CAC General (31/12/82)	298.6	302.3	295.8	289.5	460.4 (26/3)	284.5 (12/11)
Ind. Tendance (31/12/86)	77.9	78.3	78.1	75.4	117.2 (26/3)	69.7 (10/11)
GERMANY						
FAZ Aktien (31/12/58)	440.81	449.97	450.52	432.99	676.84 (6/1)	400.13 (10/11)
Commerzbank (1/12/53)	1349.2	1373.6	1376.4	1320.5	2061.1 (17/8)	1220.9 (10/11)
HONG KONG						
Hang Seng Bank (31/7/64)	2179.58	2184.41	2134.84	2141.71	3949.73 (1/10)	1960.90 (5/11)
ITALY						
Banca Com. Ital. (1972)	523.77	516.15	509.71	500.37	767.34 (30/4)	476.27 (10/11)
JAPAN **						
Nikkei (16/5/49)	23282.19	23219.69	22856.02	(c)	26646.43 (14/10)	18544.00 (13/1)
Tokyo SE New (4/1/68)	1902.47	1898.00	1866.11	(c)	2258.56 (11/6)	1557.46 (13/1)
NETHERLANDS						
ANP-CBS General (1970)	214.6	216.7	216.2	219.2	334.2 (14/8)	192.2 (30/11)
ANP-CBS Industrial (1970)	166.2	168.7	169.4	169.8	280.8 (11/8)	147.5 (10/11)
NORWAY						
Oslo SE (4/1/83)	348.26	335.15	353.89	340.73	592.04 (21/9)	307.48 (10/11)
SINGAPORE						
Straits Times Ind. (30/12/66)	818.90	822.70	818.40	822.80	1505.4 (26/8)	780.8 (11/11)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	1702.0	1660.0	1530.0	2499.0 (3/8)	1448.0 (5/11)
JSE Industrial (28/9/78)	(u)	1424.0	1416.0	1402.0	2266.0 (16/10)	1402.0 (23/11)
SPAIN						
Madrid SE (30/12/85)	212.54	212.48	209.25	212.27	325.44 (6/10)	202.09 (8/5)
SWEDEN						
Jacobson & P. (31/12/56)	2261.70	2304.20	2282.40	2280.60	3550.40 (9/10)	2068.60 (10/11)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	496.9	493.7	494.9	480.9	729.7 (5/10)	450.9 (10/11)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	403.0	400.1	396.2	495.9 (27/8)	361.3 (2/1)

** Saturday November 21 Japan Nikkei (c), TSE (c)

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Metals – 500; NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed.(u) Unavailable.

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Utah Power	4,759,000	29	+ ⅛
Wal-Mart	2,545,200	25⅝	– ⅜
Dominion Res	2,344,200	42⅞	– ⅞
Northeast Util	1,370,400	20⅝	– ⅜
American Express	1,330,600	24⅛	+ ⅛
FPL	1,288,900	29¼	– ⅜
IBM	1,171,100	117⅝	– ⅞
AT&T	1,148,900	28½	– ⅜
Philip Morris	1,129,200	89½	– 4¼
Coastal Corp	1,119,100	40⅛	– ⅛

TOKYO – Most Active Stocks
Thursday, November 26, 1987

	Stocks Traded	Closing Prices	Change on Day
Nippon Steel	207.49m	444	+ 5
Kawasaki Steel	79.75m	363	–
Showa Denko	21.34m	789	+27
Nippon Kokan	18.88m	350	+ 2
Sumitomo Chem	15.85m	834	+34
Mitsui Toatsu Chem	13.70m	712	+32
Ishi.-Har. H. Ind	11.56m	668	– 7
Nisshin Steel	10.52m	625	+ 2
Mitsubishi Heavy Ind	9.82m	634	– 5
Tokyo Gas	9.50m	1,060	–10

LONDON
Chief price changes (in pence unless otherwise indicated)

RISES:

Tr 2½% IL 2009	£101⅝	+ ½
Birmid Qualcast	244	+ 44
Boase Massimi	214	+ 10
FKI Electricals	104	+ 12
Freemans	174	+ 8
Hunter	995	+110
Kwik Save	282	+ 6
MK Electric	585	+ 24
Mersey D. Units	353	+ 28
Pearson	668	+ 41
Rothmans	397	+ 10
Tate & Lyle	667	+ 12

FALLS:

Applied Hol	363	–30
BPB Inds	244	– 9
Blue Circle	329	– 9
Brit Aerospace	313	– 9
Brit Telecom	213	–12
MEPC	425	–10
Mountleigh	143	– 7

AMERICA

Janet Bush in New York looks across the dinner table at the future for the markets

Crash sours fruits of Thanksgiving

Wall Street

THANKSGIVING is an annual extravaganza of eating, drinking and making merry for millions of hard-working Americans, and an opportunity to celebrate the fruits of the world's largest economy.

This year, however, between mouthfuls of roast turkey and pumpkin pie, there will be moments of sober reflection on whether things will ever be the same after the October crash.

Many of those at the sharp end of the financial industry have lost their jobs and others are fearful of more than just losing their usual bumper annual bonuses. Ordinary Americans, too, reading sombre predictions of a recession just around the corner, are worried that improving conditions in the labour market could reverse.

Opinion is divided and very tentative on what the crash will signify for the US economy and that means a period of uncertainty for the equity market. Part of the problem is that little evidence is yet available from official figures of how various leading indicators of economic activity have performed since the crash in late October.

What has become clear in the bemused weeks following the collapse - which have seen shares drift down but more often sideways - is that the economy was growing strongly before equities plunged. Third quarter GNP and the GNP deflator, a measure of inflation, were both revised upwards substantially. In October, while stock prices crashed, payroll employment rose by 549,000, the best monthly performance since September 1983.

October's personal income and consumption figures gave no clear picture. Income rose strongly but was distorted by large farm subsidies. Consumption was unchanged. November's figures are regarded as all-important for the first signs of any impact from the crash.

A wing and a prayer: investors await the outcome of President Reagan's budget deal

Points of view are many and varied. There are, of course, many (most notably the US Treasury) whose main concern is the possibility of an asset crash-induced recession. The arguments for this scenario are well rehearsed. However, there are dissenting voices from this current orthodoxy.

One of the more colourful views comes from Dr Edward Yardeni, director of economics and fixed income research at Prudential Bache. Pointing out that October's retail sales figures did not appear to have been depressed by the stock market crash, he says: "Ironically, the crash might have boosted retail sales to the extent that many American consumers go shopping when they feel anxious. (It's very therapeutic.)"

Mr Lyle E. Gramley, chief economist of the Mortgage Bankers Association and a former member of the Federal Reserve Board, points to evidence that consumer spending, airline travel, hotel reservations and property activity are all reported to be close to normal.

He says it may even be possible for the economy to grow faster than it would have done without the crash as the negative effects of the loss of wealth are offset by the boost provided by the abrupt shift to an easier monetary policy. Then, the focus of concern would shift back to inflation from deflation.

Analysis is dominated by a raft of uncertainties both short- and long-term. In the short-term, there are bound to be doubts about whether the budget deficit cutting package will pass through Congress successfully and about the details of the tax increases and spending cuts.

The priorities of monetary and exchange rate policy are also unclear. Mr James Baker, US Treasury Secretary, has made it a matter of public record that the Administration would rather see the dollar fall than a recession.

However, there is increasing speculation about the US Federal Reserve's stance. Will the Fed start surreptitiously to tighten monetary policy again, given signs of economic robustness, in order to pre-empt a serious outbreak of inflation after the emergency loosening in policy after the crash. A great deal hinges, of course, on the view the currency markets take of international policy-making and on the performance of the dollar.

Until some of these questions are answered, Wall Street is likely to remain volatile and uncertain. There is a general view that the market can now consolidate but no one is prepared to rule out further temporary setbacks.

Salomon Brothers believes the market will consolidate gently for the rest of this year, showing perhaps limited gains. Salomon believes the stock market decline of 1978 offers the closest parallel with the latest fall. Similarities include a long economic expansion, concern about the dollar, and rising interest rates in the run-up to the crash. In the three-month period following the 1978 setback, the market was, as Salomon puts it, "desultory."

Canada

BUILDING ON recent gains, share prices in Toronto posted a solid advance with resource stocks signposting the way upwards.

Volume was boosted by a 1m share block of Encor Energy, which has rejected a takeover bid from TransCanada PipeLines. Encor was unchanged at C$8⅜ and TransCanada PipeLines was up C$⅛ at C$14⅞.

Gold issues and base metal miners climbed again. Noranda gained C$½ to C$23¾ and Comninco was up C$½ to C$14⅛.

Finns warm to company forecasts

BY OLLI VIRTANEN IN HELSINKI

FINLAND came through the stock market crash with very little damage. Share prices on the Helsinki stock exchange are still 34 per cent higher than at the beginning of this year and analysts predict them to rise even further before the end of 1987.

However, the ripple effects of the crash did affect Finland and during the week after Black Monday share prices declined by an average 16 per cent in Helsinki. The total drop before prices began to rise again amounted to 21 per cent. This was a relatively modest dip considering that the Unitas index had seen a 164 per cent rise since the beginning of 1986 to an all-time high just before the crash.

The decline began as foreign investors became anxious to dispose of their marginal shares and sold their holdings back to Finland. Premiums on internationally tradeable free shares vis a vis restricted shares narrowed to almost nothing.

Dealers in London, where most Finnish free shares change hands, praise the Finnish market for being able to handle and assimilate the sell orders.

Several factors helped the market keep a cool head in the midst of the turmoil on world stock markets. Finland is still less influenced by world events than many other countries and, despite the rapid internationalisation of Finnish companies and deregulation on the financial and capital markets, the country's economy was able to absorb much of the shock.

Foreign investment in Finnish stocks is still rather limited. By some estimates, it is between 5 and 10 per cent of the current market capitalisation of FM75bn ($18bn).

The maximum permissable foreign ownership in Finnish companies, according to a recent law, is 40 per cent of the equity and 20 per cent of the voting stock. But the companies must apply for increases from a previous ceiling of 20 per cent of the equity. So far no Finnish company is more than 30 per cent foreign owned.

Finland's economy is still is very good shape. GDP is expected to grow by 3.5 per cent this year, almost double the rate in OECD Europe. Inflation is expected to be reined in to 3.7 per cent while unemployment at 5 per cent is considerably less than the OECD average.

Furthermore, the markka, Finnland's currency, is now strong. And, as Mr Hannu Halttunen, chief economist of KOP bank points out, foreign investors value the low government debt, which is 15 per cent of GDP, and the balance of payment deficit which stands at 2 per cent of GDP.

EUROPE

Frankfurt focuses on poor results

TRADING in European bourses dropped to a snail's pace yesterday as the Thanksgiving holiday in the US financial markets deprived investors of one of their most important influences of recent weeks.

FRANKFURT found some interest in a batch of important corporate results, which first depressed the market and then sparked a round of bargain-hunting. The Commerzbank index reflected the midsession blues with a fall of 24.4 to 1,349.2, but at the close the Boersen-Zeitung index was down only 2.31 at 284.64.

In very thin trading, the drop in profits at Dresdner Bank and Commerzbank and the skimpy rise in BASF's figures provided the main focus of attention. Dresdner finished DM4 lower at DM233.50 and Commerzbank off 50 pfg at DM226 after losing DM3 earlier. Deutsche Bank, which is due to report next week, was washed downstream as well, shedding DM15.50 to DM426.

BASF lost DM3.20 to DM262.80, but the rest of the sector was mixed, with Bayer edging down DM2.50 to DM267.50 while Hoechst pushed ahead DM1.50 to DM263.50.

The steel sector benefited from news of planned co-operation between Thyssen, up DM1.30 to DM106.30, and Mannesmann, which gained DM3 to DM120 after shedding DM3.90 at the opening.

Among stocks to benefit from bargain-hunting, electrical Siemens picked up from a bad start to finish just DM1 off at DM388.50. In a quiet session, bonds lost up to 50 points amid profit-taking by dealers expecting an imminent cut in the discount rate. The Bundesbank bought DM75.3m worth of paper after buying DM128.8m on Wednesday.

AMSTERDAM had a lacklustre day, dispirited by the US holiday and slightly lower dollar. With most investors sidelined, the CBS all-share index lost 1.1 to 66.1.

Among the internationals, Unilever shed 50 cents to Fl 105.90 after saying it was selling a 25 per cent stake in its German subsidiary Deutsche Unilever to a consortium led by Deutsche Bank.

Insurer Amev lost Fl 1.60 to Fl 39.20 after reporting lower nine month profits and revising its full-year forecast downwards.

ZURICH edged higher in threadbare trading, with chemicals and banks showing limited gains. The Credit Suisse index added 2.1 to 446.6 as the market drew some confidence from the recent steady tone in prices.

Foods were mixed, with Nestle up SFr150 to SFr8,100 as Jacobs Suchard lost SFr75 to SFr8,075. Engineers followed suit: Brown Boveri put on SFr15 to SFr1,825 while Georg Fischer fell SFr35 to SFr780.

PARIS also suffered from a listless session, with the CAC General index finishing 3.7 lower at 298.6.

Electricals, food and construction stocks were worst hit.

One bright spot was news that a share offering in the pay-television company Canal Plus has been subscribed 40 times. The TV channel's shares began trading at FFr320, a premium of FFr45 over the offer price of FFr275.

BRUSSELS remained directionless, with the stock index losing 14.3 to 3,829.80. Petrofina lost BFr100 to BFr9,350 but Banque Bruxelles Lambert edged up BFr10 to BFr2,480 after announcing sharply higher results.

Utilities were mixed, with Ebes losing BFr105 to BFr4,480 as Electrafina picked up BFr100 to BFr5,600. Holdings showed little movement on the day, as Reserve edged down BFr5 to BFr2,395 and GBL finished BFr20 lower at BFr2,540.

MILAN posted its fourth consecutive advance as interest in Montedison and Mediobanca livened up an otherwise lacklustre session.

The MIB stock index advanced 1.39 per cent to 717.

Merchant bank Mediobanca climbed L7,750 to L215,550 or 3.6 per cent as speculation mounted over its privatisation.

Montedison slipped L30 to L1,535 amid rumours that controlling shareholder Ferruzzi was seeking to remove the company chairman.

Blue chips were broadly firmer.

STOCKHOLM slipped lower in subdued trading as investors kept away awaiting the outcome of key wage talks. Blue chips were modestly lower across the board.

MADRID turned mixed as banks and engineers advanced against a generally lower backdrop. The general index inched up 0.06 to 212.54 in quiet trade.

Banks continued to rise sharply as takeover speculation lifted prices.

OSLO lost ground as worries over North Sea oil prices resurfaced and pulled the all-share index 5.75 lower to 263.20 in moderate trade.

Saga Petroleum fell NKr7 to NKr85 and Norsk Hydro dropped NKr2.50 to NKr143.50.

HELSINKI inched quietly higher with modest gains in all sectors.

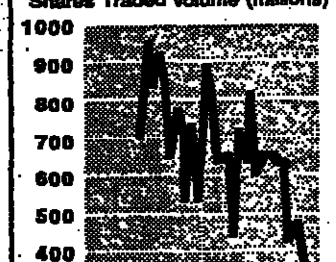
London

UK SECURITIES markets were left to drift in the absence of Wall Street trading and with the dollar in limbo. The FT-SE 100 index finished 3.4 lower at 1,660.7.

A rare feature was a fresh rise in shares of Pearson, the banking and publishing house and owner of the Financial Times, which gained 41p to 668p as a single purchase of 500,000 shares reawakened speculative interest.

London Stock Exchange

Shares Traded volume (millions)



ASIA

Large-capitals hold the spotlight

Tokyo

LARGE-CAPITAL issues remained popular in Tokyo yesterday and helped lift share prices slightly higher for the fourth consecutive trading day, but the market lacked vigour and enthusiasm, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei stock average of 225 select issues closed 62.49 higher at 23,282.18. Volume totalled 685.39m shares compared with Wednesday's 617.90m. Rises led declines by 496 to 376, with 141 issues unchanged.

Brokerage houses and investment trusts sought giant-capitals in a bid to lift the market before trading for December delivery starts on Friday.

Nippon Steel headed the most active list with 207.46m shares changing hands and rose Y5 to Y444. Kawasaki Steel, the second busiest issue with 79.75m shares traded, ended at Y363, unchanged from the previous day. Earlier, it gained Y2 to a record of Y365.

Nippon Kokan finished Y2 higher at Y350, but Ishikawajima-Harima Heavy Industries and Mitsubishi Heavy Industries fell Y7 and Y5 to Y660 and Y634 respectively.

Large-capital chemicals were sought on the strength of the strong yen, lower crude prices and rising demand for ethylene.

Sumitomo Chemical was also active and surged Y34 to Y834, while Mitsui Toatsu Chemicals closed Y32 higher at Y712. Nippon Zeon gained Y80 to Y1,140 and Daicel Chemical Industries added Y35 to Y710.

In contrast, high-technology stocks were broadly lower. Hitachi shed Y20 to Y1,240, Matsushita Electric Industrial lost Y50 to Y2,180, NEC was down Y30 at Y2,010 and Sony declined Y120 to Y4,830.

NTT ended Y30,000 lower at Y2.61m, after a selling spree by business corporations.

Power and gas utilities fared poorly. Tokyo Electric Power declined Y30 to Y6,360 and Tokyo Gas shed Y10 to Y1,060.

There was speculative interest in some lagging issues, such as Shochiku and Inui Steamship which each added Y160 to Y3,580 and Y1,520 respectively.

Bond prices plunged, with the yield on the benchmark 5.1 per cent government bond, maturing in June 1996, rising to 5.000 per cent from 4.815 per cent at Wednesday's close.

In inter-dealer trading, the yield on the 5.0 per cent bond, due in December 1997, fell to 4.880 per cent at one point but later turned up to reach 4.980 per cent.

Meanwhile, the Finance Ministry and the underwriting syndicate agreed on issue terms for the December long-term government bond, setting the coupon rate at 5.0 per cent and the issue price at par.

On the Osaka Securities Exchange (OSE) prices continued to rise with buying focusing on companies reporting good business results.

The 250-issue OSE stock average closed 29.01 higher at 23,421.24, on an estimated volume of 86.23m shares, down 3.76m shares from the previous day.

Joshin Denki added Y150 to Y2,300 and Kurimoto rose Y80 to Y1,150, but Rohm dipped Y140 to Y4,010.

Australia

GOLD-RELATED scrip forged ahead in response to the higher bullion price, lifting the All Ordinaries index 45.7 to 1,311.9.

Heavyweight Renison was actively traded, rising 20 cents to A$8.80, while Newmont put on 15 cents to A$2.20 and Emperor added 10 cents to A$2.00.

Among other resource stocks, CRA rose 20 cents to A$5.80 and Western Mining added 14 cents to A$5.60. Bell Resources put on 8 cents to A$1.76 after news it had sold a $348m stake in Texaco.

There was selective interest in industrial stocks with insurance, investment and banking scrip generally firmer. Alcohol, paper and packaging and entrepreneurial stocks were generally lower.

Singapore

LACK OF INTEREST and continuing uncertainty about the market's direction again kept operators on the sidelines in Singapore, where the Straits Times industrial index lost 4.25 to 818.50.

DBS dropped 20 cents to S$8.85 and OCBC fell 15 cents to S$6.85. Singapore Airlines and Metro both lost 10 cents, to S$9.10 and S$5.70 respectively.

Among active stocks Chuan Hup Holdings lost 1.5 cents to 99.5 cents, while City Development dropped 1 cent to S$2.02.

Hotels, properties and commodities were also slightly lower.

Hong Kong

ANOTHER DAY of featureless trading left Hong Kong mixed, withthe Hang Seng index 4.83 lower at 2,179.58.

Among quality stocks, property and utilities posted modest gains, while banks and trading companies were little changed. The consensus was that the market was likely to remain in the doldrums for the next few weeks.

Among properties New World Development gained 20 cents to HK$7.15, Sun Hung Kai Properties was also 20 higher at HK$8.70. Hongkong Land rose 5 cents to HK$7.50 as did Hang Lung Development at HK$4.70

SOUTH AFRICA

BRISK DEMAND and few sellers, pulled stock prices broadly higher in Johannesburg as golds showed the major gains on the day.

The gold index rose 27 to 1,729 as Vaal Reefs added R3 to R340 and Kloof climbed 90 cents to R34.90.

Diamond stock De Beers also gained, and closed 40 cents higher at R29.90. Among mining houses, Anglo American gained 75 cents to R60.75.

Platinums also firmed. Impala added R1 to R31.50 rand.

In industrials, Barlow Rand was up 25 cents to R20, South African Breweries was steady at R15.75

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY NOVEMBER 25 1987					TUESDAY NOVEMBER 24 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (89)	98.64	+3.9	81.47	94.08	4.31	94.95	79.42	91.89	180.81	85.80	89.36
Austria (16)	92.98	+1.3	76.79	80.55	2.56	91.74	76.74	80.23	102.87	85.53	94.86
Belgium (48)	102.69	+1.3	84.82	88.76	5.29	101.33	84.76	88.46	134.89	96.19	94.23
Canada (127)	105.09	+1.2	86.80	99.72	3.09	103.81	86.83	98.81	141.78	98.15	98.79
Denmark (38)	111.11	+1.8	91.77	97.17	3.01	109.14	91.29	96.56	124.83	98.18	95.57
France (120)	86.91	+0.9	71.79	77.13	3.52	86.13	72.04	77.25	121.82	77.39	98.08
West Germany (93)	77.47	+1.0	63.99	67.16	2.80	76.71	64.17	67.30	104.93	68.91	97.40
Hong Kong (46)	84.24	+2.4	69.57	84.21	5.82	82.23	68.78	82.26	158.68	75.82	81.86
Ireland (14)	103.54	+0.4	85.52	91.56	4.91	103.16	86.29	92.12	160.22	96.20	91.88
Italy (94)	78.56	+2.7	64.89	71.96	2.63	76.53	64.01	70.87	112.11	72.04	96.75
Japan (457)	140.89	+2.5	116.36	119.96	0.58	137.45	114.97	117.73	161.28	100.00	90.63
Malaysia (36)	103.27	+0.8	85.30	99.15	3.67	102.46	85.70	98.44	193.64	98.24	100.47
Mexico (14)	146.24	−0.5	120.79	331.78	0.88	147.02	122.97	341.57	422.59	99.72	91.73
Netherland (37)	97.12	−0.5	80.21	83.20	5.34	97.64	81.67	84.63	131.41	87.70	98.31
New Zealand (23)	78.56	+2.2	64.88	66.40	4.77	76.86	64.28	65.57	138.99	75.99	94.54
Norway (24)	107.98	+1.2	89.18	93.94	2.88	106.68	89.23	93.64	185.01	96.03	104.64
Singapore (27)	97.55	+0.3	80.57	91.58	2.62	97.26	81.36	91.11	174.28	90.19	99.98
South Africa (61)	134.20	+2.0	110.85	90.98	4.69	131.59	110.06	89.90	198.09	100.00	96.62
Spain (43)	119.88	+3.1	99.01	101.81	3.97	116.29	97.27	100.21	168.81	100.00	90.25
Sweden (34)	101.96	+2.0	84.21	90.98	2.49	99.96	83.61	89.93	136.64	88.50	99.48
Switzerland (53)	81.53	+0.7	67.34	69.27	2.37	80.94	67.70	69.52	111.11	73.65	97.01
United Kingdom (332)	121.40	+0.0	100.27	100.27	4.52	121.43	101.57	101.57	162.87	99.65	93.27
USA (582)	99.50	−0.9	82.18	99.50	3.70	100.38	83.96	100.38	137.42	92.83	102.81
Europe (946)	99.71	+0.6	82.36	84.97	3.90	99.07	82.87	85.44	130.02	92.25	95.56
Pacific Basin (678)	137.12	+2.5	113.25	117.68	0.78	133.74	111.87	115.47	158.77	100.00	90.69
Euro-Pacific (1624)	122.19	+1.9	100.92	104.63	1.81	119.91	100.30	103.50	143.65	100.00	92.62
North America (709)	99.79	−0.8	82.42	99.53	3.67	100.56	84.11	100.31	137.55	93.20	102.60
Europe Ex. UK (614)	86.25	+1.2	71.24	75.45	3.36	85.20	71.26	75.38	111.97	78.89	95.73
Pacific Ex. Japan (221)	91.61	+3.0	75.67	87.87	4.71	88.94	74.39	86.02	164.03	83.17	90.45
World Ex. US (1826)	121.74	+1.9	100.55	104.47	1.88	119.49	99.95	103.35	143.38	100.00	92.88
World Ex. UK (2076)	112.32	+1.0	92.77	103.12	2.28	111.18	93.00	102.51	138.82	100.00	97.09
World Ex. So. Af. (2347)	112.98	+0.9	93.32	102.86	2.48	111.95	93.64	102.46	139.47	100.00	96.74
World Ex. Japan (1951)	99.82	−0.1	82.45	94.04	3.80	99.94	83.59	94.58	134.22	95.64	99.68
The World Index (2408)	113.12	+0.9	93.43	102.81	2.50	112.08	93.75	102.39	139.73	100.00	96.74

Base values: Dec 31, 1986 = 100

Latest prices were unavailable for this edition.

SECTION III

FINANCIAL TIMES SURVEY

Following a rapid extension in the uses of plastic cards, the UK market is now paused for a breathing space. Credit and charge cards will be seeking new niches but the fastest growth is expected from a comparitive newcomer, the debit card. **Hugo Dixon** gives the reasons

The choice grows wider

Plastic Cards

THE CREDIT card market is a mature market. There may be room for exponential growth in the penetration of credit cards in continents like Latin America and Asia. There is certainly room for many more credit cards in countries like Germany, where the banks have been fighting a rearguard action against them.

However, in Britain, we are now in the consolidation phase. This year Britain's Barclaycard, dominant in the issue of Visa credit cards, celebrated its 21st birthday. Access, Britain's other main credit card issuer, celebrated its 15th anniversary.

There are now 13.1m Visa cards in issue in Britain and 10.7m Access cards, up from about 4m each in 1978. Five per cent of consumer expenditure is undertaken by credit card, according to 1984 figures, compared with 43 per cent by cash, 29 per cent by cheque and 23 per cent by other means.

There is therefore still some room for expansion both in the number of credit cards held by individuals and, more obviously, in the proportion of their expenditure carried out by credit card.

However, it seems equally clear that the credit card is already well established. The challenge of the future for credit card companies will be to find strategies for dealing with new competitors, for exploiting niche markets, adapting to new technology and dealing with government scrutiny.

The next stage of really exponential growth is likely to occur not in the credit card market, but in the debit card market. Debit cards are like credit cards except that purchases made with them are debited to a customer's current account instead of being stored until the end of the month and sent in a separate bill.

The functional role of debit cards is therefore much more like that of cheques or cash - you cannot get credit on them. It is because of this similarity with cheques and cash that they are seen as the main electronic replacement for the 72 per cent of consumer expenditure that is undertaken by these means.

In this role, debit cards will be used in electronic terminals to buy goods in shops, restaurants and petrol stations. Technologically, credit cards could be used in precisely the same way and they probably will - only not to the same extent.

This may seem odd. Why should consumers use a debit card if they could use a credit card and benefit from not having to pay for their bill for a month or more?

There are two answers. First, although there is a marginal cash-flow advantage from using a credit card, there is also a major administrative headache.

If you try to work out your finances during a particular month, you cannot just look at your bank statement, because this includes a credit-card bill relating to the previous month.

The best you can do is wait for the next credit-card bill, subtract it from this month's statement and add back the amount spent on credit cards the month before. Even this is not entirely satisfactory, since the dates of the bank and credit card statements are unlikely to be a perfect match.

By contrast, if you use a debit card, payments will be deducted from your bank account. There will be one statement, not two, and it will be easier to monitor expenditure.

A second reason debit cards may catch on is that the charging structures of debit and credit cards may start diverging. It is in the interests of financial institutions that their cardholders pay them earlier rather than later - that they use their debit cards, not their credit cards - so they may offer some price incentive to customers to pay in this way.

The most logical way to proceed would be as follows. For administrative convenience, plastic cards should be linked with a bank account. However, if anybody needs credit, he should be able to get it on an overdraft facility.

In banking, however, logic often takes many years to work itself through. At the moment, there is only one fully-fleshed debit card in Britain - Barclays Bank's Connect card was launched in June - and it is too early to say precisely how the dynamics of the market will develop.

Several lessons, however, can be drawn from Connect's traumatic launch. First, Britain's retailers will not be an easy push-over.

The advantage of electronic cashless shopping is that there should be considerable cost savings and benefits. Retailers understandably want their share of these savings and the fight they put up over the charging structure Barclays was originally proposing for Connect shows their determination.

Barclays wanted to charge them the same rate that it charges for credit card transactions. The retailers argued successfully that, since Connect was designed to replace cheques, they should pay a fee that was equivalent to the much lower charges they paid for cheque clearing.

The retailers waged a similar battle against Vector, a card launched by Midland Bank in May. Vector was a hybrid - a mixture between a charge card and a debit card.

The retailers took objection to it because it was branded with the Mastercard logo and Midland was planning to charge them the same rates it charged for credit card transactions. They saw it as a replacement for cheques and so wanted lower charges. Their opposition proved so vociferous that Midland was forced to withdraw the card in June.

The second lesson to be drawn from the Connect saga is that it is likely that electronic cashless shopping in Britain will be a closed clearing system with insufficient competition, like the credit card industry, in spite of the lip service which is still being paid to the idea of an open competitive system.

Connect was launched under the Visa logo. This means that any systems which Barclays develops to back it up will be automatically open to all Visa cards, but to other plastic cards only by arrangement.

Lloyds Bank is due to launch its own debit card, also under the Visa brand name, next year.

These two moves, which may be followed by other banks, undermine the nationwide cashless shopping scheme being planned by Eftpos UK, which is intended to be open and fully competitive. It is too early to say how badly damaged Eftpos UK, which does not even start its trials until the end of next year, will be.

At the moment, however, we are still largely in the world of the credit card, not the debit card. And the immediate challenge credit card companies face is of proving to the Monopolies and Mergers Commission that their industry is sufficiently competitive.

In May, Sir Gordon Borrie, Director General of Fair Trading, initiated a probe into the industry, arguing that there was prima facie evidence that it was earning monopoly profits and was not sufficiently competitive. He also said that credit card companies were charging 'excessive' interest rates - at the time the annualised percentage rate charged by most banks was 23.1 per cent compared with a base rate of 9 per cent.

The case for the prosecution is that there are not enough players in the industry; that the two credit card companies which dominate the industry are therefore able to charge both retailers and consumers more than they should; and that, as a result, banks earn a return of about 50 per cent on the capital they employ in the credit card business.

The case for the defence is as follows. First, the figures on return on capital are meaningless, since the credit card business is not capital-intensive.

Second, credit card companies do not overcharge consumers or retailers. What seem to be high interest rates are in fact perfectly reasonable when it realised that customers can take advantage of an interest-free period of 30 days or more and that there is considerable risk associated with such flexible lending as is available on credit cards.

And third, there is sufficient competition in the industry. There may only be two major credit card companies but, within both Visa and Access, there are several banks competing against one another.

Banks strenuously deny that there is any collusion between them. They point out that, although they often charge the same rate of interest, this could be the sign of a perfectly competitive market as much as evidence of one characterised by perfect collusion. And they argue that the market is open to any institutions which want to enter it - they just have to be prepared to invest the money.

The Monopolies Commission is now hearing both sides of the argument. It has 18 months in which to report.

In the meantime, however, the industry is moving on. Probably the most important change was the Government's announcement in October that it would amend the 1986 Building Societies Act so that building societies could issue credit cards.

When the Government passed the Act, it had originally intended societies to be able to offer credit cards but, because of a defect in its drafting, it was found that they could not. As a result, Halifax and Abbey National, the two largest societies, had to face the embarrassment of withdrawing motions from their annual general meetings asking members for permission to enter the business.

This legal bar is now to be removed. However, it is far from certain how much more competition this will inject into the industry.

Halifax and Abbey will definitely start offering cards - probably under the Visa logo - but they do not seem to be keen to start a price war.

The nearest thing to a price war has been launched by a comparatively small financial institution - Save & Prosper, the unit trust group. In September, it launched a cut-price credit card, called Classic.

However, although competition is being introduced only gradually into the industry, it is clear that the banks cannot be complacent. They too will probably have to find ways of segmenting the market or they will see niche operators steal their best customers.

CONTENTS

Despite talks of co-operation, MasterCard and Visa remain fiercely competitive

Global market battle

AMBITIOUS plans recently announced by Europe's top retail banks to make their cash and credit cards compatible within three years should not be taken as indications of a new spirit of international co-operation at the expense of competition, according to major players within the credit card industry.

At Visa International, Mr Joao Ribeiro da Fonseca, chief general manager for Visa operations in Europe, the Middle East and Africa, is cautious about the scope of co-operation among different payment systems in Europe.

"What was agreed was that different payment systems in Europe should co-operate in areas such as security, standards and network compatibility. But the hypothesis that there should be a European logo to identify this reciprocity has not yet been accepted", he says.

In other words, while the establishment of technological compatibility between systems may be in everyone's interest, the industry is far from developing a new payments system with everyone in it together.

International card issuers are privately scornful of the interest expressed by German banks, for example, in the development of a new electronic payments system with Deutsche Bank leading the way. This is being seen as merely a stalling tactic designed to disguise a current lack of such systems capacity, and to ensure a dominant position for Germany in the development of such a system.

Such allegations are indicative of the fierceness of the competition among international card issuers, and in particular among Visa and MasterCard, the two leading credit card organisations.

Visa cites a growth rate of 62 per cent in the volume of transactions in Europe last year, with 30m cards in issue there out of a global 160m, to support its decision to 'go-it-alone' world-wide, allowing for pockets of co-operation in certain areas.

It has recently experienced two victories in the battle for market share. In August Citicorp, the largest US banking group, announced it was abandoning a 10-year effort to market an independent card and would convert its Choice card to Visa because customers wanted "immediate acceptability, both nationally and internationally."

Citicorp originally launched Choice to by-pass the fees banks have to pay to the Visa and MasterCard systems, but analysts believe it failed to garner enough customers and retailers to cover the high costs of operating the card.

These fees are likely to become an increasingly important contribution to profitability, and member banks of both Visa and MasterCard in the UK cast doubts on reports that the European accord will involve free access to facilities offered by the other banks belonging to the European Council for Payment Systems.

A more recent victory for Visa has been in the UK, where Lloyds Bank last month announced plans to launch a mass-market debit card under the Visa logo. In doing this it became the first British bank to be a member of both Visa and Access.

In June Barclays Bank, Britain's leading issuer of Visa credit cards, launched a debit card called Connect under the Visa logo.

These decisions to issue debit cards under the Visa logo have undermined the credibility of a universal debit card, and clearly pointed to the competition in this new field.

For its part, MasterCard has continued its aggressive marketing strategy, designed to counter American Express and the Sears Discover Card in particular, while stressing the need for co-operation with Visa in certain areas, such as the fight against fraud.

Again, despite talk of co-operation, there is little love lost between the two organisations, and a failed attempt to merge a few years ago looks unlikely to be tried again.

MasterCard claims that a comparison of worldwide figures published by the two card associations for the year-ending December 31, 1986 "indicates that the growth in both the number of cards and in gross dollar volume for MasterCard exceeded the comparable growth rates for Visa."

MasterCard also cites success in China, where the Bank of China is preparing to convert its local cards to MasterCard cards. It has signed a long-term contract to create a telecommunications network linking the major cities of China in readiness for the linking of the Bank of China directly to Banknet, MasterCard's advanced packet switching network.

Mr Tony Lee, director and chief executive of Access, the largest member of the MasterCard family with 11m cards, said that the relationship between MasterCard and Eurocard was getting far closer.

"More and more in Europe one is moving towards plastic, but there are still divisions", he said, referring to the fact that some countries within Europe continue to focus on the paper-based Eurocheque payments system.

Eurocheque has in the recent past been openly criticised by Mr Russell Hogg, president and chief executive officer of MasterCard International, for operating an outdated system in Europe.

Yet Eurocheque holders too, will initially benefit from the new agreement on card compatibility, along with holders of cards with Visa, MasterCard, and Eurocard signs. There are also plans to extend compatibility to proprietary bank cards.

But Mr Lee, like others likely to be affected by the European accord, finds even the three-year target for card compatibility to be "a very tight scale."

For even the achievement of this limited agreement in Europe has had to assume a certain level of technological achievement by the card issuers in question. In the future battle for global market share, Visa and MasterCard are both likely to stress developments in this field.

In search of greater capacity to process transactions, Visa completed its $49m London-based computer hall, the Visa Interchange centre, in June. Until the construction of this centre, all authorisations were carried out from the US, but Visa says it should now cut the time required for each authorisation

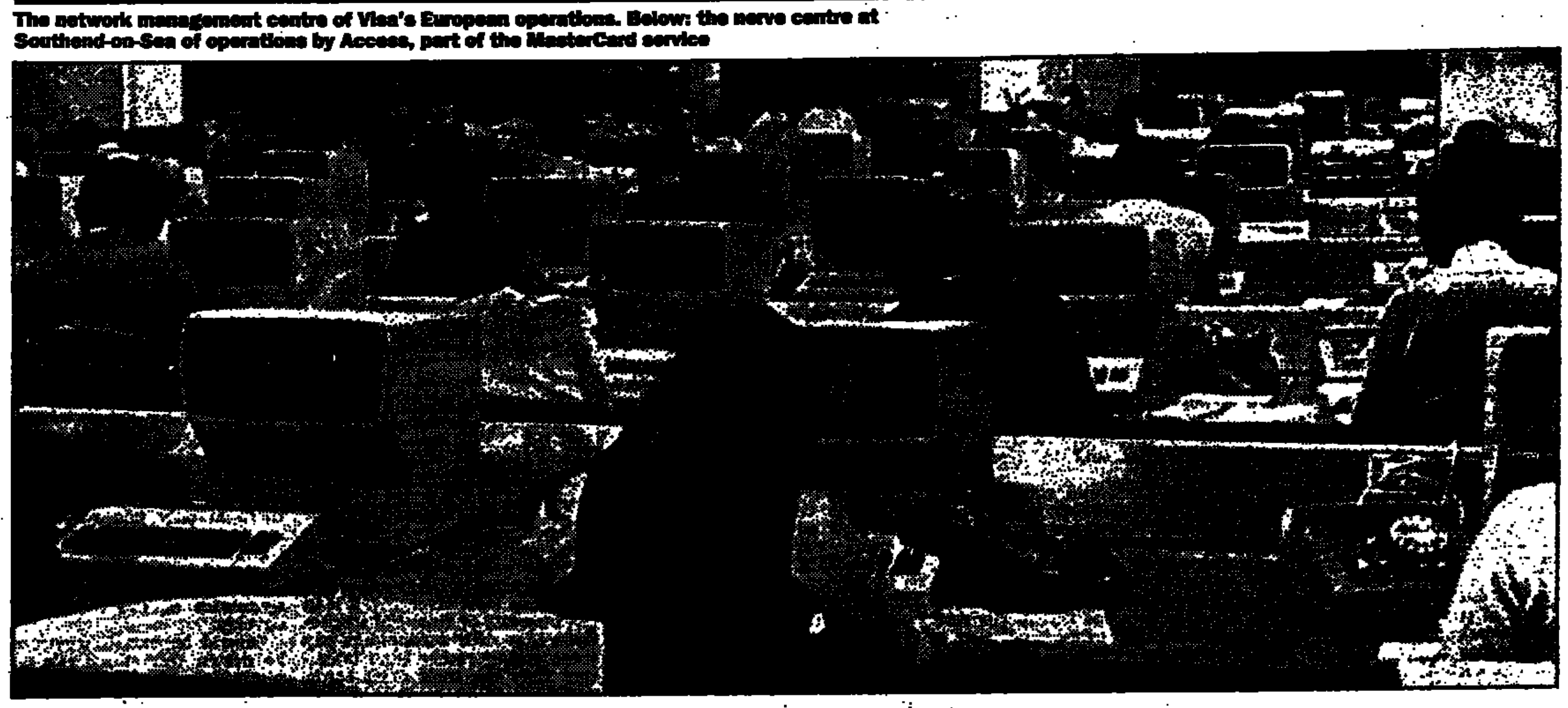
Visa argues that its ATMs compute a transaction in 'real time', ie the information goes all the way back to the country of card origin for authorisation. Eurocheque, it claims, operates a system whereby transactions are handled by the local banks which own the ATM concerned, and the international blacklist referred to is inevitably a shortened one.

But while the international card organisations continue to slog it out verbally in the international marketplace, their fee-paying member banks are watching their domestic markets carefully to gauge best their next move.

As Lloyds in the UK has just shown, allegiances to credit card organisations need not be exclusive.

Dina Medland

The network management centre of Visa's European operations. Below: the nerve centre at Southend-on-Sea of operations by Access, part of the MasterCard service



Store Cards

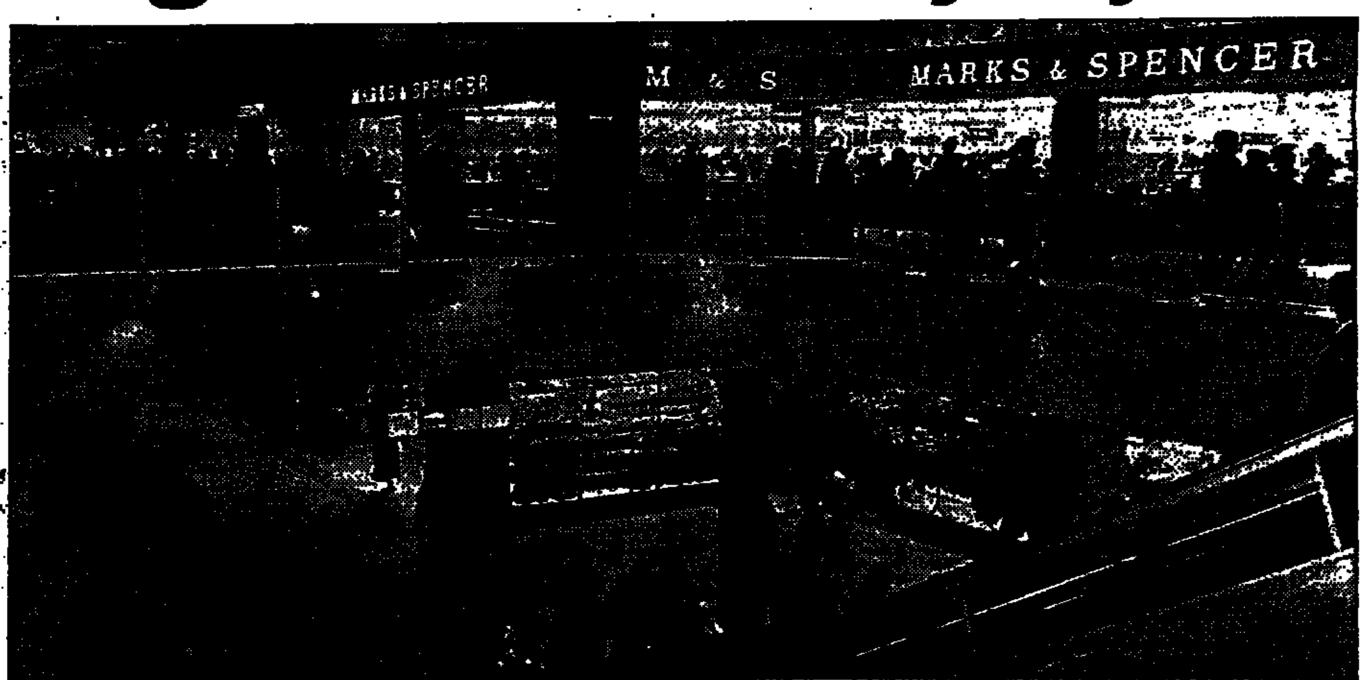
Banking on customer loyalty

RETAILERS HAVE latched firmly onto the credit card bandwagon in recent years in the dual search for higher profits and customer loyalty for their products.

In the UK, a proliferation of individual storecards offers the possibility of instant cashless purchases, albeit often at punitive interest rates, should the delayed payment "credit" option be taken up. (Cards can always, of course, be used as charge cards, where you repay the entire sum due at the end of each billing period, thereby incurring no interest charges).

The ease with which credit cards are obtainable from some department stores has been much criticised in Britain recently, as fears have grown about consumer abilities to repay shopping binges on the high street.

An investigation launched by the Monopolies and Mergers Commission at the end of May into the credit card industry does not include storecards within its scope however, and there is little reason for retailers to be deterred from entering this marketing arena.



Marks & Spencer, one of the many department stores using their own store card

The experience of Sears, Roebuck, long the world's largest retailer, with storecards provides some important clues regarding the potential appeal of entry into this business.

Its long-standing and widely-used storecard SearsCharge provided Sears with infrastructure and credit information which stretched back over the years. These provided considerable cost benefits when the company decided to introduce its multi-purpose credit card Discover into a domestic US market saturated with over 160m bank cards in January 1986.

By initially targeting Discover at the 2m holders of Sears store cards with the best credit records, the company generated an acceptance rate widely estimated at 17 per cent to 27 per cent. This compares with an industry standard of 1.5 per cent to 2.5 per cent.

Discover was placed under the sphere of Dean Witter, the Wall Street brokerage firm which Sears acquired for $610m in 1981 as part of a bid to diversify into financial services which is becoming increasingly more expensive.

Dean Witter last month reported a loss of $4.2m for the third quarter this year compared to a year-ago loss of $8m. Discover Card operations losses grew to $29.4m compared with $28.4m a year ago, while the Sears,Roebuck, group as a whole posted record third-quarter earnings of $409m.

Competitive interest rates and the absence of a fee are some of the burdens the Discover card has had to carry, but in return it has assembled an impressive usage rate.

At the end of last year, receivables totalled $1.27bn on charge volume approaching $2bn. Cardholders had deposited nearly $400m in the savings accounts linked to the cards, which have now exceeded 19 million.

Despite the drain on resources, Sears remains committed to the long-term future of Discover Card. It expects the card to move into profitability next year, and continues to see an important role for it as an entry into the financial services sector.

On a much more limited scale, retailers in the UK too, are beginning to widen their perceptions of the potential benefits of storecards.

Burtons, the retail chain in the forefront of moves into financial services by retailers, re-launched a dozen of its storecards in April in a move aimed at capitalising on the relationship between a customer and a particular store.

Along with cards for Burton, Debenhams and Harvey Nichols, these include ones for Top Shop, Top Man, Dorothy Perkins, Evans and Principles. The cards are multi-branded, with half the card representing the logo of an individual store, and the other half the "overbrand" of the customer's personal account, usable at any store in the Burton's chain.

These cards are intended to encourage customer loyalty - the customer is likely to obtain his Burton card from his favourite Burton store, and "it is accepted that a cardholder will spend more and with greater frequency than a non-card-holder" says Mr Chris Chadwick, marketing director.

Benefits associated with the new cards also confer added value, which is necessary to counter customer concern about such things as annual percentage rates (APRs), he says.

The Debenhams card, for example, is offering a 'Deal-Out' every month, whereby the value of 10 per cent of the cardholder's spending every month is given back in the form of vouchers usable within the store. Burtons intends periodically to introduce new benefits on the various cards.

Mr Chadwick sees different sectors within the storecard market growing at varying rates, and clearly feels there is a need for constant imaginative marketing.

As far as the thorny issue of high APRs on storecards is concerned, Mr Chadwick does not foresee a wide tumbling in interest rates.

But he says:"The Save & Prosper card (recently launched at competitive rates for a selected customer base) is an example of a low-priced product for a low-risk market. Retailers will have to consider this in storecards, although in practice it would be difficult to apply."

Burtons has 2.5 million cards in issue, including the private labels, such as Laura Ashley, handled by its Welbeck financial arm. The next largest storecard issuer, Marks &Spencer, has 1.5 million.

Encouraging loyalty and creating a database for more effective marketing is seen as almost as important as profits to be made from storecards.

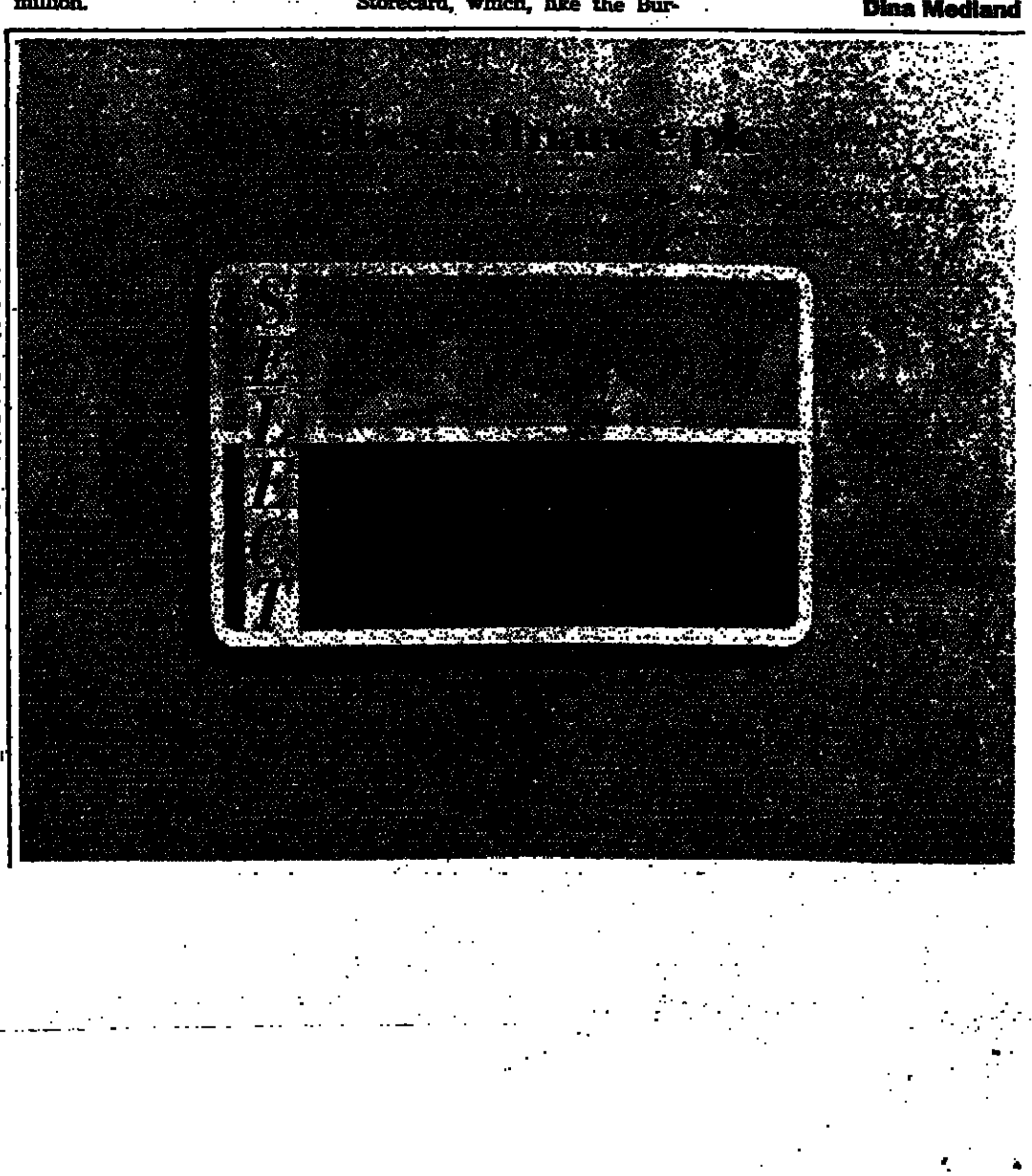
Storehouse, the holding company owned by Sir Terence Conran, chairman and chief executive, set up a joint venture called Storecard with Citibank in September last year to develop plastic cards as one of the key tools of a long-term marketing strategy.

The group, which includes Mothercare, Habitat, Heal's, BHS and The Conran Shop, has issued individual cards under the name Storecard, which, like the Burtons cards, are usable throughout the Storehouse group.

"Storehouse decided to develop plastic cards as one of the key marketing tools in its long-term strategy for getting into financial services", says Mr Ken Gaskell, chief executive of Storecard. He expects Storecard accounts to number 300,000 by the end of December, with the number of cards exceeding that.

"We are in it to make a return on investment, but the database does allow us to measure and monitor what we are doing in the way of sales, and provides an opportunity to cross-sell within the group" he adds.

Dina Medland



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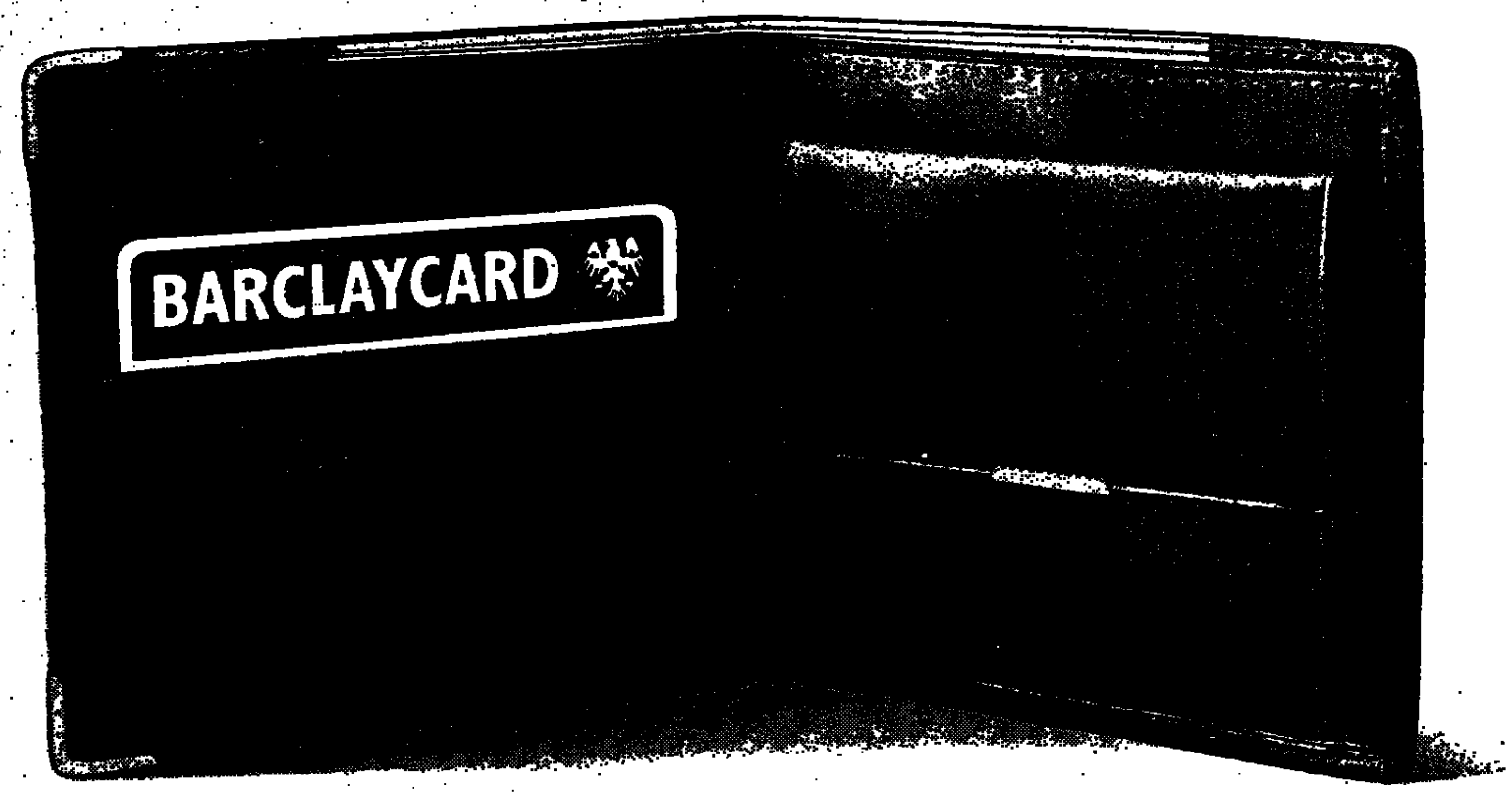

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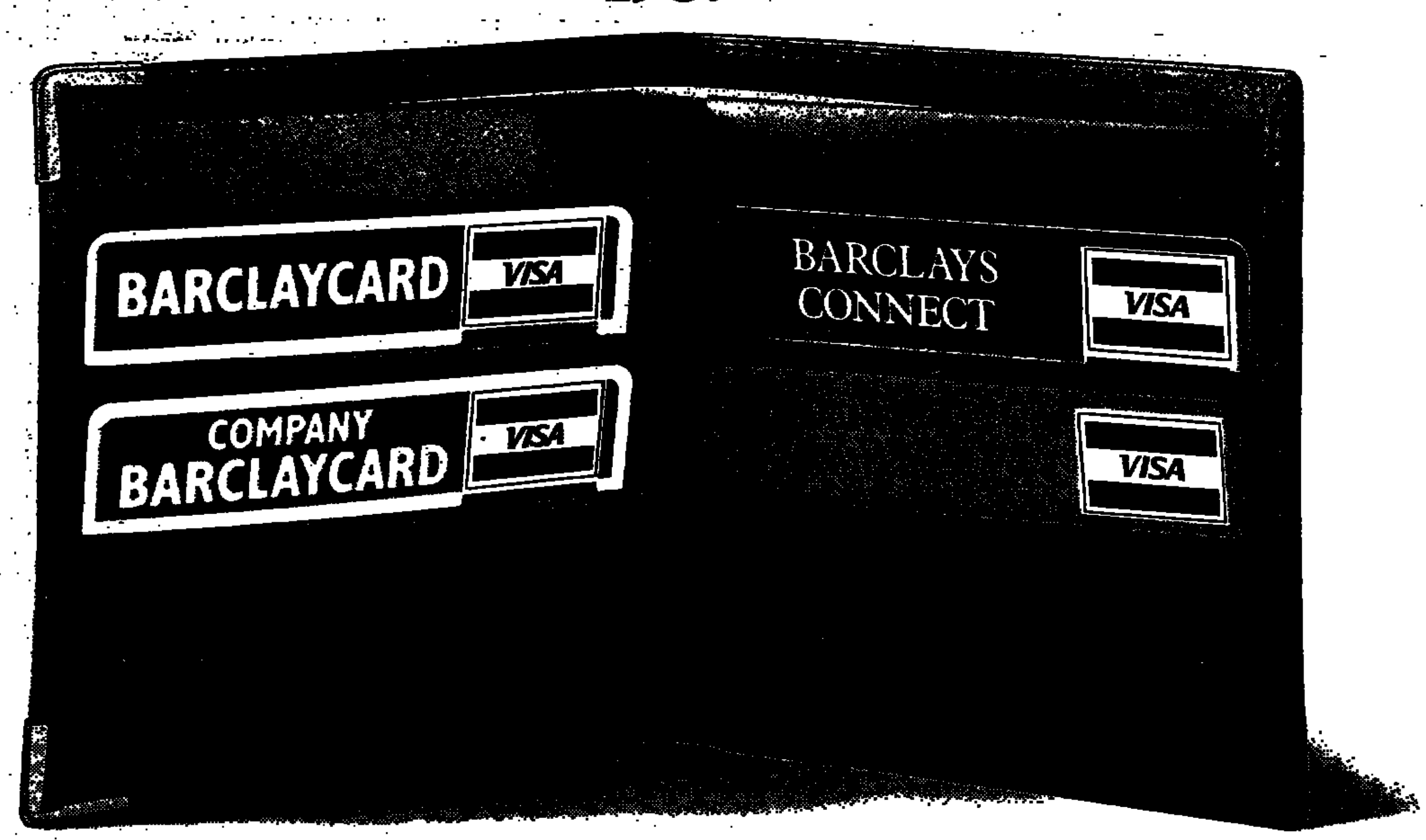


It's interesting the effect our plastic has on the leather industry.

For quite some time now, we've been successfully lining the pockets of the leather industry.

And as you can see, they've been extremely accommodating ever since we launched the very first bank credit card in Britain over 21 years ago – in fact, we kicked off exactly one month before Sir Alf's heroes did in the '66 World Cup Final.

Ever since, we've maintained a firm grip on the number one position.

The secret of our success? Well, we've made no secret of our relentless research, endless innovation and dedicated commitment to making the consumer-retailer relationship as mutually beneficial as is possible.

Take a look at our cards for example. Like financial plastic surgeons, they've changed the face of consumer spending out of all recognition. Remember when you used to empty your wallet every time you filled up with petrol? And the hassle of not being able to pay for theatre tickets over the phone?

Nowadays, people get more than ever out of their Barclaycards: we recently launched Barclaycard Profiles, a loyalty scheme that rewards people for using their cards in preference to other payment methods.

And then there's our range of card-based systems, which are, amongst other things, retailoring the way retailers retail. Our electronic point-of-sale PDQ terminals have reduced store queues and backroom paperwork, while Cardlink has provided many busy stores with an instant authorisation facility.

For businessmen who are going places, we've installed Pinpoint high-speed ticket dispensers at major railway stations. We can even speed up their car journeys, due to the fact that Pinpoint is also featured in a number of petrol stations.

It's fair to say that for over 9,000,000 people (that's one in five of the adult population), Barclaycard has become a way of life. And, dare we say it, with over 2,000 new cards being issued each day – more than half of which are issued to customers of banks other than Barclays – we're likely to remain The Great British Card. An accolade we feel carries a great deal of responsibility. Hence our practice of issuing cards only to people we believe can handle them responsibly.

Of course, our interests go further afield than the UK, where we have over 280,000 merchant outlets. Through our worldwide Visa connection there are a further 5½ million overseas.

Yes, we've come a long way since those early Barclaycard days back in the 'Swinging Sixties'; swinging Company Barclaycard, Barclays Premier Card, Barclays Connect Card and generations of electronic innovations into action along the way.

And yet, in many ways this was just the beginning. As ever, our dedicated aims remain the same: to provide a caring and responsible service for our customers, and to be the most professional and respected company in the business.

As to the future of the leather industry? They'll always be running hell for leather, trying to keep up with us. For written details, contact Barclaycard, Northampton NN1 1SG.

BARCLAYCARD VISA

Charge Cards

The players start to cover their options

THE ARRIVAL of debit cards within the credit card industry is bound to pose questions regarding the appeal of credit versus charge cards - the former allow an extended repayment period, but charge interest, whereas the latter insist on payment in full at the end of a given period of time. Debit cards could, on the face of it, do away with the need for pure "charge" cards.

While such a development does not appear to be looming on the horizon as far as the industry is concerned, American Express, one of the largest players, is covering its options. In March American Express Travel Related Services launched a credit - rather than charge - card called Optima in the US.

"Our research showed that a significant number of card members wanted us to provide some. form of extended payment for a wide range of purchases", said Mr Aldo Papone, president of TRS.

The Optima card caused a splash by undercutting the cost of borrowing on plastic in the US and, according to American Express, received an enthusiastic response from the consumer.

By restricting the card's availability to existing card holders with "at least one year of card membership and a record of prompt payment", the company has also limited its risk.

There are no figures available as yet for Optima, but last year Amex TRS saw net income rise 16 per cent to $599m, with 23.8 million cards in force at the end of the year. Charge card volume grew to $63.6bn, up 15 per cent.

The arrival of the keenly-priced Optima has been greeted with dismay by other card-holders, not least because the blaze of publicity surrounding the launch of the card could contribute to raising consumer awareness in the US of considerable differences in interest rates on plastic.

In the UK, where Optima is not yet an option, some card issuers have long become used to the predominant use of their credit cards as charge cards, with the consumer paying his entire purchase off promptly, declining the revolving interest facility.

In such instances, cards such as Barclaycard and Access, which do not charge a membership fee, make their money largely from retailers accepting their cards. But there are also constant efforts being made to encourage people to use their cards more frequently, which could lead to their use as credit cards.

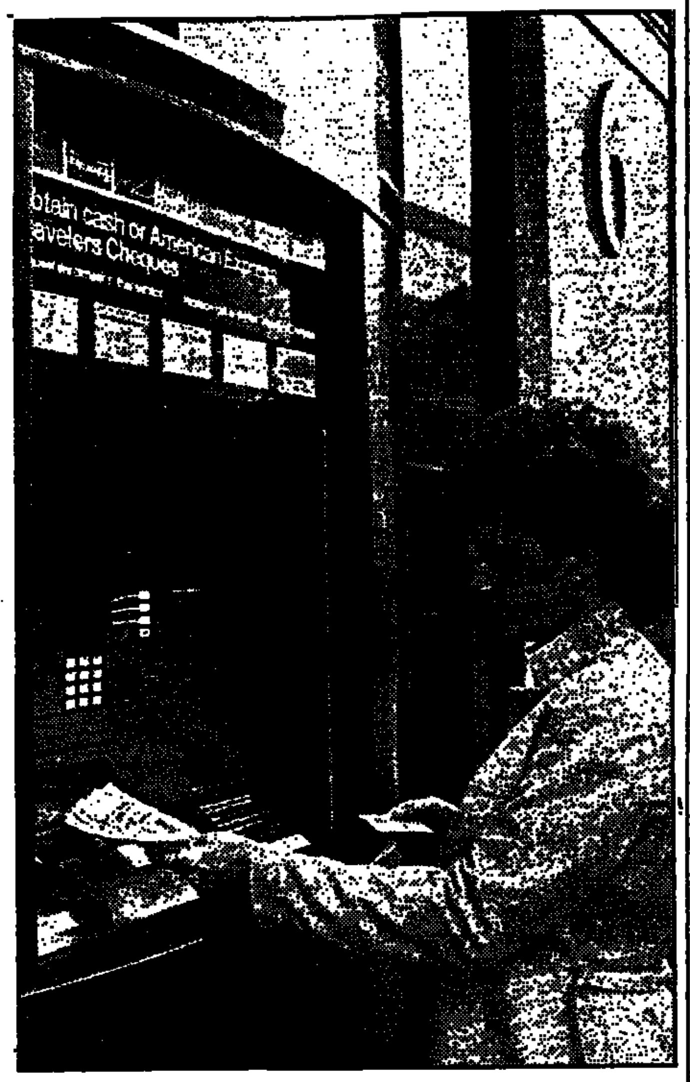
With the industry being investigated by the Monopolies and Mergers Commission for, among other things, allegedly providing "easy credit", thus luring consumers into debt traps, the card issuers are treading carefully.

Barclaycard, whose chief executive, Mr Peter Ellwood, has has for some time been at the forefront of calls for caution in consumer lending, is turning down more applications for credit cards than it did a year ago.

But the company has also recently launched a scheme offering gifts to encourage its 8.5 million customers to use their cards more often. Mr Ellwood says the scheme is designed to persuade customers to use the card instead of cash, cheques or other credit cards, but not to encourage them to spend more money.

Barclaycard holders spend "something over £100 a month each" with their cards, says Mr Ellwood. To qualify for the minimum free gift, they would have to use their cards to buy just under £150 worth of goods a month.

At the moment, 43 per cent of Barclaycard holders pay off their credit card bills in full at the end of the month, a figure which has crept up from 40 per cent in 1980.



American Express: extending its charge card range

While existing players in the market consider new ways of beating the competition, the charge card function of plastic cards remains appealing for new entrants into the industry. In May a global charge card named Airplus, aimed at the business traveller, was launched by 13 leading European airlines.

Airplus aims to have 100,000 cards in issue with a turnover of Ecu 315m ($368.55m) in the first year, rising to more than 500,000 cards with a turnover of Ecu 2.25bn in five years. Mr David Huemer, chief executive, says growth is currently on target, with issuants in nine countries, and major hotel chains and car rentals agreeing to take the card.

"We are focusing on being more than just a charge card, a service to simplify and support the business traveller", says Mr Huemer. The card will be used mainly for car rentals, hotel and restaurant bills, apart from airline ticket sales.

The cost of possessing an Airplus card will vary from country to country, but in the UK, British Airways is issuing them free for the first year. Thomas Cook has agreed to solicit cardholders for BA in the UK.

Mr Huemer maintains that individuals with other cards are still interested in Airplus, and argues the card will appeal to businesses on the basis that it offers greater control over expenses, as well as a wider service than just air travel.

Dina Medland

Automated Teller Machines

Queueing up for success

AUTOMATED TELLER Machines (ATMs) have historically been a strategic weapon (for banks) - they will now become more and more of a utility", says Mr Peter Ellwood, chief executive of Barclaycard.

He was referring in part to the recent agreement by Europe's top retail banks to make their cash and credit cards compatible within three years, an accord that assumes the provision of ATMs by all serious providers of banking services.

The accord involves the 40 banks from 17 countries belonging to the European Council for Payments Systems, a body set up nine years ago by senior bankers concerned at the unco-ordinated development of personal payment systems across Europe.

It plans to allow more than 100 million cardholding customers from the banks involved to use services in 15,000 branches in the European Community, Scandinavia, Austria and Switzerland.

While acknowledging the need to set a deadline for the provision of compatible credit and cash cards, Mr Ellwood considers the three-year target to be a difficult one to reach. Despite the fact that all the major card organisations and Eurocheque already make their cards acceptable to ATMs in other countries, access between card systems is still limited.

The advent of ATMs has always looked to the creation of a basis for an international cashless shopping system, which would enable travellers to pay for goods and services abroad simply by wiping their cards through electronic terminals which automatically debit their accounts back home.

But technical problems and rivalries between competing card systems have meant that long delays have occurred in implementing the original scheme adopted in early 1985, which should have been completed last year.

A major step forward in the direction of a cashless society was taken in March, with the announcement of a tie-up between the payment terminals installed by Access and Barclaycard in the UK.

Holders of Barclaycards and Access cards are going to be able to use the same payment terminals, which are steadily proliferating in UK retail outlets, mainly shops, petrol stations and railway stations.

American Express is due to be tied into the Barclaycard-Access system, while a grander nationwide scheme for cashless shopping known as Eftpos (electronic funds transfer at point of sale) is also in operation. This has experienced difficulties, however, making its current rate of progress uncertain.


Always plenty of customers for the Servicetill

A third effort - by individual banks - to set up independent networks for cashless transactions draws further attention to the fact that the direction of the UK's electronic future remains uncertain.

Commitment to ATMs, however, is a fact of life for the industry, as is the substantial investment made in the technology. There appears to be little concern, too, over the prospects of reaping the rewards of that investment.

"The investment in ATMs will be recouped by pricing for those who haven't got any - there will be a charge for using them", says Mr Ellwood, who suggests that those organisations that already have an ATM network in place will "help dictate control of the market and have an influence on pricing."

In the UK, card-issuers face the possibility of a more immediate controversy regarding ATMs, which have come under fire from the Office of Fair Trading. The OFT came down firmly on the side of the consumer in June, when it recommended changes in the law on cash dispensers in the Jack review, set up this year to decide whether there was any need to change the law on banking to bring it up to date with electronic developments.

The OFT is concerned to limit consumers' liability on lost or stolen ATM cards, which can currently carry unlimited liability for cardholders. It has also suggested that the burden of proving an ATM transaction should rest with the card issuer, rather than with the consumer, as it does at present.

Ironically, the OFT has also recommended that all ATMs should be capable of producing receipts so that the cardholder can have some paper evidence of any transactions.

While the timing of the arrival of an entirely paperless banking system is in some doubt, there is no question that ATMs remain the success story of the last few years. As many observers of the industry point out, no one in 1967 could have predicted that today people in Britain would be standing outside in the rain to use them.

As the field of credit card business widens further, ATMs are likely to crop up in hitherto unlikely places. Peugeot-Citroen, the French motor group, recently entered the credit card business in a move expected soon to be followed by its main domestic rival, the state-owned Renault group.

OPT Peugeot's financing subsidiary, Credipar, will be issuing the cards, which consumers will be able to use to pay servicing bills, purchase spare parts, or buy a second-hand car. As part of France's Carte Bleue national debit and cash card system, the cards will also be in a wide variety of venues, and to withdraw cash from ATMs.

OPT Peugeot envisages extending the cards to other countries where it has a large presence.

Dina Medland

Smart Cards

Electronic key to many locks

"SMART CARDS", pieces of plastic the size and shape of conventional credit cards but with a complete microprocessor built into their dimensions are coming of age.

When the French inventor Roland Moreno introduced the notion of the smart card in the early 1970s, it was seen as a Gallic eccentricity, a piece of science fiction with little to recommend it besides novelty value.

Now all these signs are that smart cards will be the next stage in personal computing, electronic keys to a wide range of services.

The US Department of Agriculture has issued 60,000 smart cards to peanut farmers to help manage crop subsidy schemes.

Peanut farming is a highly subsidised business in the US and involves a mass of paperwork to record details such as crop size and quality. Now the farmer simply presents his card with his crop, the details are keyed in and read out at the time the subsidies are paid. The paperwork involved is vastly reduced and the farmers get their subsidy six months earlier.

Japanese electronics manufacturers are taking the smart card very seriously indeed. Toshiba has an order for some 15,000 'active' smart cards from the Visa organisation to be used in trials in Japan and possibly Europe.

Some researchers are suggesting that smart cards and their associated equipment will comprise over 25 per cent of Japan's entire electronics output by the mid-1990s.

Evidence of the rate at which smart card technology is developing, according to Mr Roy Bright, managing director of the European Marketing Group of SmartCard International, is the emergence of two different kinds of card - 'passive' and 'active'.

A passive smart card approximates to Mr Moreno's original conception. The card encloses both processing and memory elements, but contact with the outside world is made through terminals on the card surface. A separate device is required either to put data into the card or read it out.

An active card, on the other hand, is completely self contained and can operate free of any external device.

It contains microprocessor and memory, but also a keyboard and a minute display screen on the surface of the card. The difficulty in creating an active card lies in compressing all the elements into the traditional dimensions of a credit card.

SmartCard International has developing an active card - it calls it the Ulticard - which is only 3mms thick and will be commercially available in the first quarter of next year.

It claims this is quite adequate for applications as diverse as medical and insurance records. To perform as a bank card - that is, thin enough to fit into automated teller machines and cash dispensers - the thickness will have to be reduced to 0.76mm, and SmartCard reckons it will be able to achieve this by the end of 1988.

It is clear now that the French, who have been carrying out extensive retail trials with the smart card as a substitute for cash and cheques, were simply very early with a technology whose time had not yet come.

Although manufacturers like Bull of France may be recouping some of their investment from large orders placed by the US Government, it is unlikely that any smart card manufacturers are yet making profits from sales or cards or reading equipment.

Market analysts think this is about to change. They point to the potential both for card and card equipment manufacturers and for other organisations to make use of the card to seize competitive advantage.

Mr James Kobielus, for example, a research associate at the US-based International Center for Information Technologies, notes: "The smart card is quite literally an electronic key to any service that requires some sort of lock to admit only qualified users.

"Potentially, the card can serve companies as a sort of ' personal transaction controller, mediating all transactions carried out through checkout terminals, automated teller machines, pay phones, personal computers and any other type of workstation."

He adds: "Smart cards, like personal computers, represent an application-driven technology that can weave its way into nearly every aspect of a company's activities."

Major changes in the perception of the potential of the smart card in the past few years are the result of falling manufacturing costs and a new appreciation of the security advantages in smart cards.

Conventional magnetic stripe cards are very vulnerable to theft, forgery and corruption (the technique for writing data on a magnetic stripe card is exactly the same as that used in commercial tape recording).

Similarly, telecommunications networks set up to carry electronics payments messages nationally or internationally are vulnerable to damage or to interference. (Cryptographic techniques are playing a large part in the development of the UK's cashless shopping network).

The smart card suffers from neither of these problems. It is well-nigh impossible to forge a smart card so complex is the electronics and software involved.

Furthermore it is completely self-contained - a portable and secure form of electronic money. Its validity can be proved simply by keying in a personal identification number. Of course, if a thief has both card and number, fraud is possible but every system has that weakness.

There are other technologies which offer a potential challenge to the smart card. One is the optical memory card, a development pioneered in the US by the Drexler organisation.

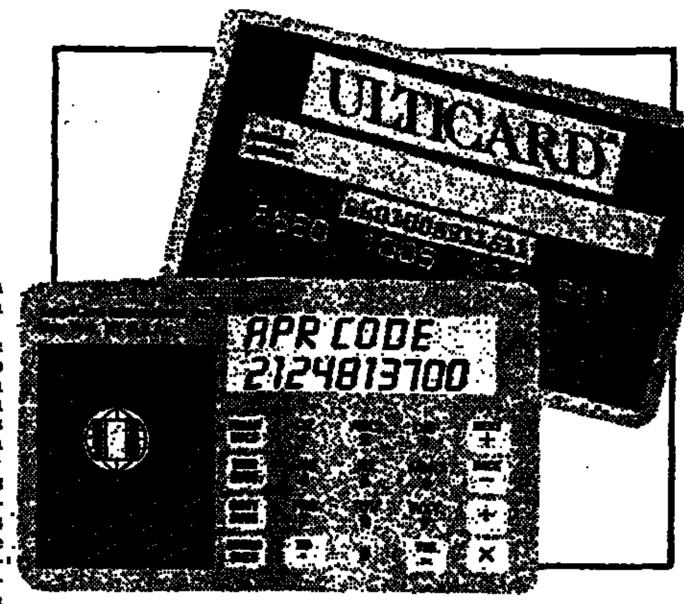
The concept is similar to that of the laser disc. Information can be written on a metallic surface as a series of minute pits burned into the surface using a laser beam. The information can be read back using a less powerful laser beam. Cards of this kind have the potential to store up to 16m binary digits of data - about eight million characters,

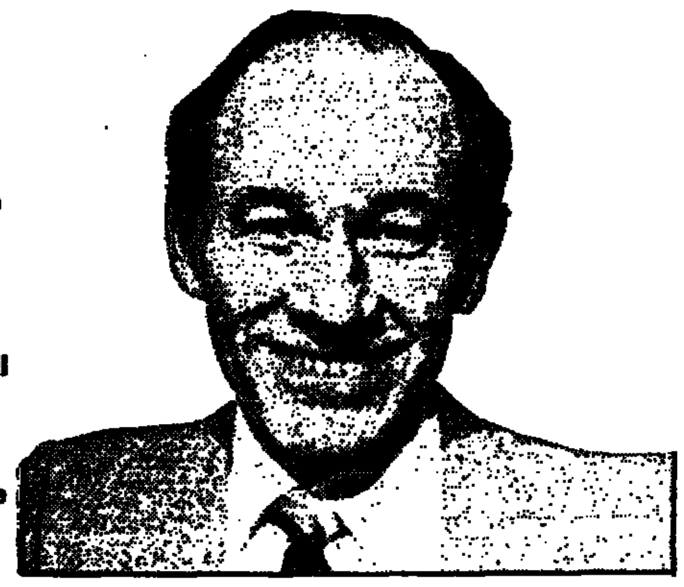
At present, the cards can only be written to once, but the capacity is so great that hardly matters. New data is simply written on and obsolete information cordoned off and ignored by the system.

Mr John McCarthy of BPCC Ultracard reckons an optical memory card could cost £2-£3 after encoding compared with 15p - 20p for magnetic stripe cards.

Smart cards, despite their complexity, are comparable. Mr Ronald Brown of Post-News, an electronic banking consultancy, estimates $3.50 for a 16 bit processor card.

Alan Cane





Right: Mr Roy Bright, managing director of European marketing Group of SmartCard International sees two kinds of card developing, 'passive' and 'active'. Ulticard (seen on the left) is the active card and will be commercially available early next year but will have to be made thinner before it can perform as a bank card

Eftpos UK

Uphill struggle for universality

MOVES TOWARDS creating a nationwide electronic cashless shopping scheme over the last couple of years have been tentative, tortuous and the subject of much argument between those involved.

Now, just as Eftpos UK, the company set up by Britain's leading banks to develop such a scheme, seemed to be getting its act together, it looks as though the whole exercise may be torpedoed or, at least, seriously undermined by the banks which are supposed to be backing it.

Barclays Bank launched its own cashless shopping scheme in June, based on a debit card called Connect. Lloyds Bank is shortly planning to launch a similar card and other banks are likely to follow.

These initiatives call into question a central element of the Eftpos UK project - the universal debit card.

When Eftpos UK goes nationwide later in the decade, the idea is that the universal debit card will become the electronic replacement of the cheque. It will be a plastic card, looking much like any credit card, and will be used to buy goods in electronic terminals in shops, petrol stations and restaurants.

Although it will be technically possible for other types of plastic cards - credit cards, debit cards and charge cards - to be used in terminals that are part of the Eftpos UK scheme, the universal debit card is intended to be special. It will be the only card which has to be accepted automatically in the terminals.

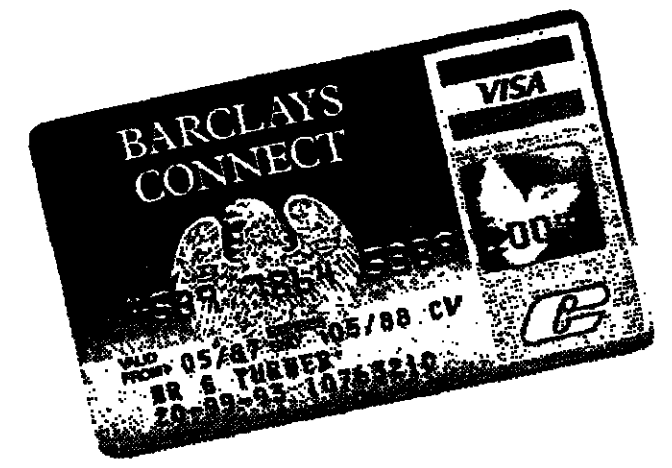
Institutions wishing to issue other plastic cards will have to negotiate with each retailer before their cards are accepted. For example, one retailer could agree to take all Visa cards but reject all Access cards; another retailer could do the reverse.

The decisions by Barclays and Lloyds are significant because their cards are being branded with the Visa logo. This is partly because the Eftpos UK scheme is not yet ready - the first trials are planned for the end of next year in Leeds, Edinburgh and Southampton.

What it means, though, is that long before Eftpos UK is up and running, at least two banks will probably have millions of debit cards in issue under a different logo - Barclays has already put out about three quarters of a million Connect cards. The question will then arise whether the banks are prepared to switch their customers out of a brand which they have worked hard to develop.

One factor encouraging them to make this switch will undoubtedly be the planned universality of Eftpos UK. An even more important factor pointing in the opposite direction, however, is that they may well be able to sustain substantial competitive advantages over other banks and building societies if they stick to a closed system of debit cards such as Visa instead moving to the sort of open system advocated by Eftpos UK.

In other words, if they choose to link all their systems to Eftpos UK, they will let their competitors in. If they remain separate, they will not be able to link in automatically to Eftpos UK, nor will their competitors be able to link automatically into their systems.



Barclays own cashless shopping scheme through Connect

If, as seems likely, Eftpos UK is dwarfed in size by the schemes being developed by Barclays and Lloyds, the temptation to boycott Eftpos UK or, at least, attach very stringent conditions to participation in it will be great.

This is reinforced by the progress banks have been making in installing electronic terminals. Barclays has already installed 2,000 of its PDQ terminals and Access (consisting of NatWest, Lloyds, Midland and Royal Bank of Scotland) has installed 700 of their Accept terminals.

There are plans for many more of these over the next year, and Access and Barclays have already reached an agreement so that Access and Barclaycard customers can use both Accept and PDQ terminals.

Again, it is likely that there will be many more of these terminals in place by the time the Eftpos UK scheme is in action.

These separate initiatives have several implications.

First, the other large banks - NatWest, Midland and TSB - are unlikely to sit on the sidelines doing nothing while Barclays and Lloyds build up customer loyalty. It seems probable they will also find ways of launching their own debit cards before Eftpos UK comes into operation - moves which would further undermine the national scheme.

Second, most building societies and smaller banks will be put in a difficult position. They have the most to gain from the universality which Eftpos UK promised to offer, because it would probably be difficult for them to opt out of the system and set up their rival schemes as Barclays has done.

It is possible, though, that Link and Matrix - two cash-dispenser networks run by societies and other financial institutions - could be developed as cashless shopping networks. And the three largest societies - Halifax, Abbey National and Nationwide Anglia - may choose to join Visa and could be large enough to set up their own rival schemes if they made a determined effort.

Either way, however, they will be starting the race late in the day and with a competitive disadvantage.

Third, retailers may not be too pleased. Universality is a great attraction for them and they will probably not want to have terminals installed in their shops which take some cards but not all.

The uncertainty over whether Eftpos UK will actually happen also makes their planning difficult.

Hugo Dixon

Combating fraud

Search goes on for a secure product

"IT TOOK", one consultant said wryly, "ten years for the banks to respond to the security problems of cheque cards. It looks like they could be making the same mistake again with magnetically encoded and chip cards".

Others believe this is far too pessimistic an approach, arguing that the financial institutions are very close to a significant step forward in the development of cards which can unambiguously be shown to be genuine and to have been assigned to a particular customer. It cannot be too soon. Losses from card fraud are already costing financial institutions millions each year.

What should be the essential features of such a card? Dr Robert Eby of Polaroid-USA Security Products (quoted in The Smart Card* by Sarah and Ronald Brown) suggests a series of critical tests for a secure device or mark to be applied to a plastic card.

●It should, he says, involve unique technology that cannot be copied by a fraudster either for technical or economical reasons. It should be possible to read the security mark with the naked eye, but there must be a unique microscopic structure that can only be identified by an expert.

●It should self-destruct if attempts are made to alter it and it must be possible to customise it for each individual.

●It should be possible to read it at high speed and capable of use with optical character readers. Finally, it must be capable of being manufactured securely, in volume and at low cost.

Two types of device stand out as fulfilling most of these criteria, the hologram and the integrated circuit. Combined together on a plastic card, they should offer as much security as is, within reason, possible.

There are other factors, however. In the UK, there is, as yet, little interest from the banks in the integrated circuit or chip card. Midland Bank is carrying out a localised experiment with these "smart" cards at Loughborough University but the other banks seem chiefly to be maintaining a watching brief.

So it seems likely that the traditional magnetic "stripe" card will be used for some considerable time in the UK at any rate.

How can it be made more secure? A photograph of the user, applied in such a way that it cannot be altered or removed, is one solution and the security printers De La Rue have developed a laser-based method of electronically imaging a photograph of a card owner so that it can be incorporated within the dimensions of the card - that is, within the protective laminations.

Both the photograph of the owner and an imagine of his or her signature can be encapsulated in the card using this technique.

NBS, which claims to be the world's biggest supplier of credit card imprinters, has developed a technique which seems, on the face of it, to be a big step forward in card security, but which its competitors find hard to credit.

It says it has developed a technique for scanning a photograph and turning it into binary digits (bits or computer language) which can then be recorded on the magnetic stripe of a conventional bank card.

Using a suitable reader, it says, it is possible to retrieve the image from the stripe and display it on a video screen. At the moment it requires the whole of the magnetic stripe to record the photograph, but NBS is working on techniques to improve further the extent to which it can "compress" the data, giving space on the card for storing numerical information.

What NBS's competitors find hard to believe is that the company has a technology which enables it to compress photographic data sufficiently to enable it to be written on a magnetic stripe. Mr Peter Cox, vice-president, marketing for NBS, explains that the engineers who devised the technique originally worked on image capture techniques for giant sports video screens, 50 feet by 30 feet.

The details, however, of how the photographic data is squeezed into such a small area remains a closely guarded secret.

Holograms are becoming decidedly more complicated. The original simple images are giving way to three dimensional portraits of the kind found on the new Eurocheque card. The latest Mastercards are embossed with large complex holograms.

When these hologram cards were first released, hologram companies claimed they would be easy to counterfeit, and indeed there is little argument that embossed holograms are easy to copy. There has, however, been little evidence of hologram counterfeiting.

None the less, card specialists like Mr Ossie Boxall, chairman and chief executive officer of Applied Holographics would like to see a move to reflection holograms which can be mounted into the structure of the card.

Attempts to mount an embossed hologram within the laminations of a card would simply result in its destruction, he said.

Applied Holographics is working on a way of combining a machine-readable code into both its embossed and reflection holograms. Combined with the customer's four-digit personal identification number (PIN), this could be used as the starting point in a calculation which would guarantee both card and PIN were genuine.

This approach can be taken to its logical limit in the intergated circuit, or smart card, where an entire computer is built into the dimensions of the card.

The computer can be programmed to carry out a complicated calculation on the PIN which should prove decisively if both PIN and card are genuine, in addition to its ordinary function of recording financial transactions and storing financial data.

The smart card is probably closest to Dr Eby's vision of a secure product; it is, however, expensive. At present prices, it could cost $5 or more to produce each chip card in volume compared to only 15c for a conventional magnetic stripe card.

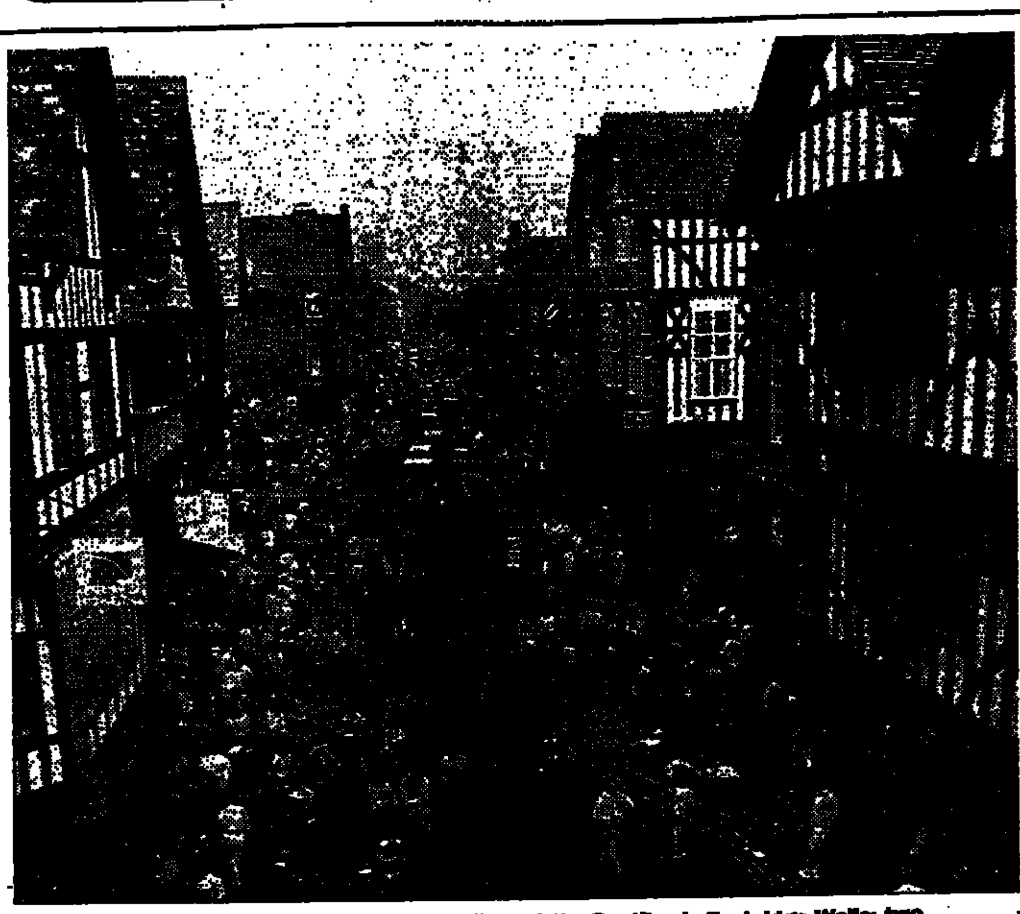
The European Banks Payments Systems Organisation (EBPSO) is looking at four principal methods of security in machine-readable cards - high coercivity (very powerful magnetic fields used to write on mag-stripe cards) "watermarking" special codes written deeply into the mag stripe, MM-Key, an optical method developed in West Germany and the smart card.

All offer extra degrees of protection against fraud and forgery. But there is no real defence against the fraudster with a stolen card and a correct, stolen PIN.

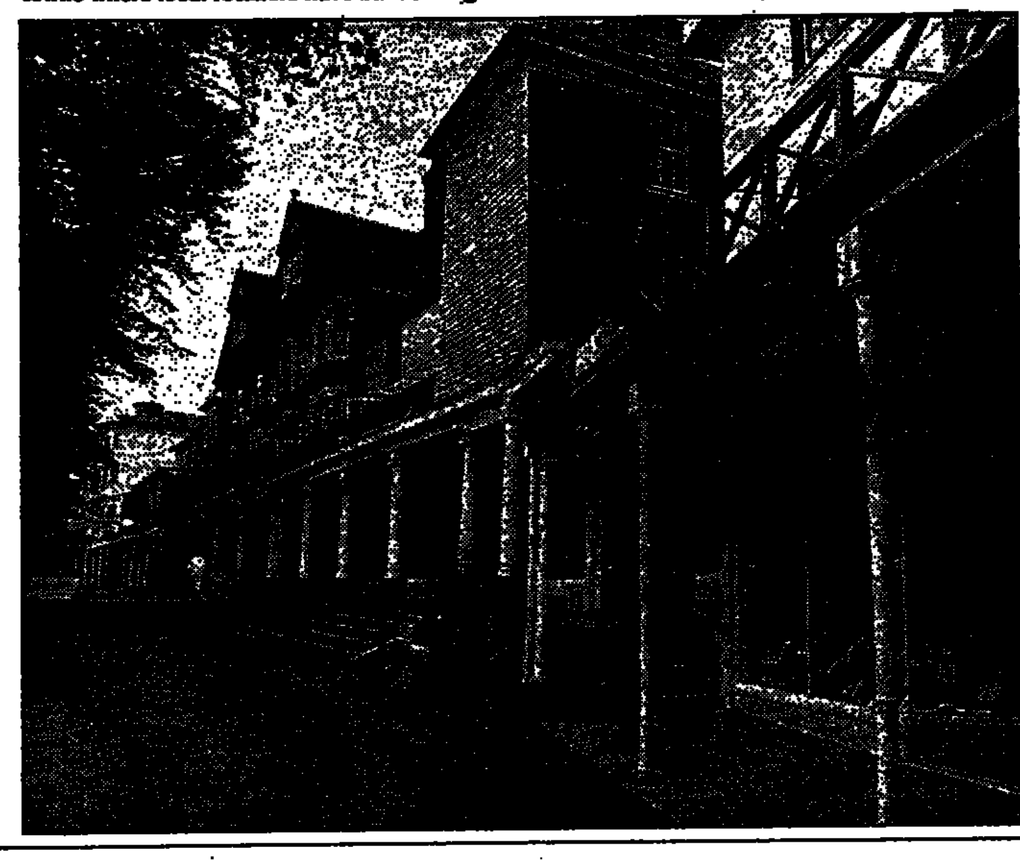
"It would be dangerous to say we could make a card that could not be counterfeited," Mr Ian Robson of De La Rue said. "We are in the business of building barriers".

The Smart Card. Sarah and Ronald Brown (Tel 0935 88245)

Alan Cane



Busy shopping thoroughfare in Chester and (below) the Pantiles in Tunbridge Wells: two towns where local retailers have banded together to introduce local cards



Local cards

When loyalty helps to stimulate trade

THERE IS a new type of credit card which relies not on new technology but on that old-fashioned phenomenon, a sense of community. In the last two years, two towns and one City have developed their own local credit card.

The pioneer in this field was Wilmslow, a bastion of leafy suburbia ten miles from the centre of Manchester. Despite its proximity to the great conurbation, local residents have fought successfully to keep Wilmslow out of Greater Manchester and the town remains resolutely a part of Cheshire.

Wilmslow's high street is lined not so much with the anonymous facades of the multiple retailer, rather with the welcoming windows of butcher and music-shop, glazier and grocer. Comfortable though Wilmslow is for its prosperous residents, its shopkeepers have traditionally found themselves vulnerable to competition from nearby centres such as Macclesfield, Altrincham, Stockport and Manchester itself, all within easy reach of those who live in Wilmslow.

The idea of a local credit card was conceived some four years ago by a Chamber of Commerce eager to find ways of promoting Wilmslow and capitalising on the residents' undoubted municipal pride.

Two years ago, the Wilmslow Card was born. Two thousand people applied for the green card embossed with a flashing W hologram and 130 retailers agreed to accept it. Now there are 5,000 card-holders and 170 retailers. The scheme, according to Mr Paul Robinson of the Chamber of Commerce, has been an unqualified success.

"It has replaced many sources of credit with just the one," he said, "and genuinely stimulated trade in the town." Annual turnover runs into the "many millions" as local residents have moderated their desires to travel further afield for their shopping. Retailers - including the local Safeways store - have clamoured to accept it.

Although the card can only be used in Wilmslow, it is not limited to the 70,000 people living in the town. The application procedure is identical to that for a national card, although the interest paid if one does not clear one'e balance within the credit-free period is slightly higher than for Visa and Access. The fee paid by the retailer is lower than the norm, at a flat 3 per cent of all transactions.

The card is administered and underwritten by Credit and Data Marketing Services, the plastic cards subsidiary of Littlewoods. The company ploughs a proportion of the fees it derives from Wilmslow's retailers back into the town's coffers.

Far from Wilmslow in terms of distance, but not in spirit, the burghers of Tunbridge Wells observed the scheme and decided to follow suit. Not so long afterwards, Chester did the same.

It is too early to say whether the success of the Wilmslow operation has been mirrored in the other two locations, or whether the card will catch on elsewhere. But Chester, with a population of 500,000, and even Tunbridge Wells, with 90,000, are both substantially bigger than Wilmslow and for that very reason, may not be ideal hosts for a local credit cards.

The sense of community may be lacking in the larger conurbation. This is often engendered by competition from other localities - and in the case of Chester and the Kent town, there may not be too much of this. Chester, for one, dominates its corner of Cheshire and shoppers probably do not bother to go elsewhere. The 280 retailers who accept the card cannot represent the majority of shops in the City - and if not, why bother carrying a Chester card.

If Chester and Tunbridge Wells are different from Wilmslow in this way, all three places have one crucial factor in common. Sense of community apart, residents in all three are more prosperous than in most towns and it seems that the level of bad debts incurred on the pioneering local cards is very low.

David Waller

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Credit cards come under the scrutiny of the Monopolies body

Wider investigation urged

AS CONSUMER credit surged to record levels throughout Britain in the first half of the year, the credit card industry found itself under the scrutiny of the Office of Fair Trading.

Sir Gordon Borrie, OFT director-general, told the National Consumer Congress in April: "It is certain that there are too many examples where credit is being over-marketed without proper checks being made on the likely ability of the borrower to repay.

"As someone said to me recently of a certain department store - they are giving away credit cards like sweeties", he added.

Sir Gordon's concerns prompted him to ask the Monopolies and Mergers Commission in May to investigate the credit card market. There was a prima facie case, he said, that banks, which are earning a return of 50 per cent on capital invested in credit cards, were making monopoly profits.

The Monopolies Commission has two years to prepare its report, the second this decade. In a report on credit card franchise services in 1980, the Commission was restricted to the relationship between credit card companies and retailers, but its terms of reference this time include the relationship between the companies and cardholders.

The 1980 report found that Barclaycard and Access had a monopoly, but concluded that they did not operate against the public interest. It recommended a ban, however, on retailers charging different prices to credit card customers and cash or cheque customers.

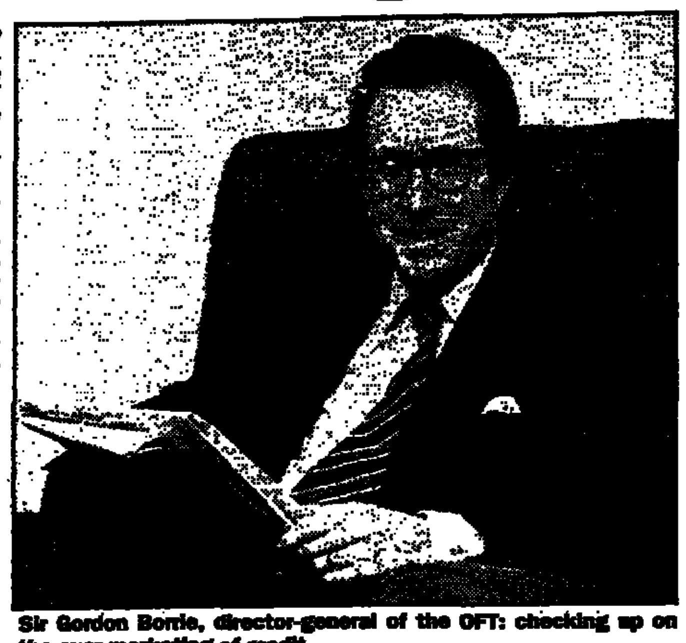
In the first such instance since the Second World War, the Government refused to implement the Commission's recommendation, arguing that it could be inflationary and was not justified by the size of the credit card market.

That market has since grown by leaps and bounds, with credit cards accounting for 6.8 per cent of consumer expenditure today, compared with only 3 per cent in 1980.

Further rapid growth is expected, with building societies to be allowed to issue credit cards and take part in electronic cashless shopping, subject to an amendment to the Building Societies Act, expected to be debated this month.

(The Commission's terms of reference have been widened to include building societies and other institutions that choose to enter the credit card market.)

Progress by the clearing banks towards nationwide cashless shopping also forms an important part of the background to the investigation, which is to concentrate on cards available for use in a wide variety of outlets - mainly Access and Barclaycard.



Sir Gordon Borrie, director-general of the OFT: checking up on the over-marketing of credit

Barclays has aroused the interest of the OFT once by becoming embroiled in a dispute with retailers over the rates it planned to charge them for the use of its debit Connect card, the first in a generation of plastic cards designed to pave the way for electronic cashless shopping.

The dispute appears largely to have been resolved, with Barclays agreeing to negotiate a flat charge for the use of Connect and withdrawing threats to expel retailers refusing Connect from the Visa network, but the OFT is keeping an eye on developments.

While debit cards are just arriving on the scene, however, a growing form of credit,issued by large retailers in the form of storecards for use in their shops - and described by Sir Gordon as being given away "like sweeties" - is not included within the scope of the investigation.

The omission has attracted a substantial number of complaints to the OFT, and is used by both banks and building societies as a defence of existing interest rates on credit cards, still substantially lower than those on many storecards.

Mr Peter Ellwood, chief executive of Barclaycard, finds it "extraordinary" that storecards have been excluded from the investigation. He adds that he finds it ironic that the duration of the investigation is likely to coincide with a period of fierce competition within the industry in the UK.

Although he says Barclaycard has "nothing to fear from the report", he is clearly concerned about possible recommendations, and argues that it would be "wholly wrong for the MMC to start to tamper with market forces on the pricing of goods for the cardholder or retailer."

Despite the fact that storecards are not being investigated, retailers are on the defensive. Under attack for allegedly making credit facilities too freely available to customers, Britain's main retailers have formed a lobby group to counter some of the criticism.

Other credit card companies have taken the hint to tighten standards. Institutions issuing Visa credit cards in the UK, including Barclaycard, adopted a code of practice to reinforce standards for card applications and granting credit in June.

Access is thought unlikely to adopt a similar code of practice. Individual member banks are said by the joint credit card company to be responsible for stating their lending practices and policies, and not the organisation as a whole.

Since the announcement of the Monopolies investigation, the credit card market appears to have "widened", notes the OFT. The level of interest rates on credit cards is one important aspect of the investigation, and any developments are likely to be watched closely.

Rates charged by Barclaycard and Access "appear to have remained high in relation to the level of and movements in bank base rates", the Commission stated in May.

While interest rates on credit cards in the US have traditionally been competitive, UK cardholders have generally had little choice about the rates they pay, except for circumstances in which rates are reduced for direct debit payments. Interest rates on Access and Barclaycard have hovered at 10 points over base or more.

But at the end of September, Save & Prosper, the financial services group, launched a cut-price credit card under the Visa umbrella, charging unpaid balances at 1.5 per cent a month (an annual percentage rate of 19.6 per cent) compared with the 1.75 per cent a month charged by most banks.

The card companies have long argued that their rates reflect the high-risk nature of the business, and the costs of combating fraud. Save & Prosper's Classic card is no different in that it is available only to homeowners in salaried employment who have not moved home or job in the previous year.

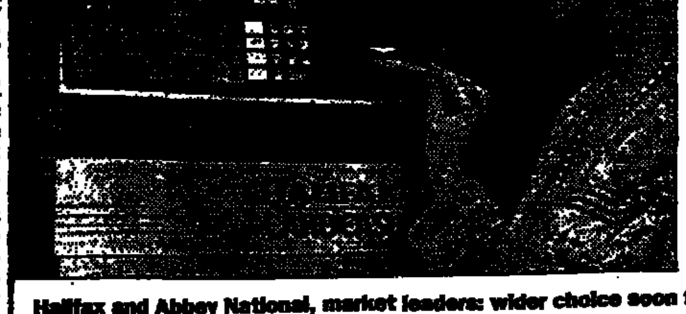
Mr Ian Lindsey, S&P's director of banking services, said his group's lower rate would put pressure on banks. The restrictions on holders of the Classic card would segment the market and enable S&P to keep its provisions for bad debts lower than mass-market credit cards and to continue undercutting banks however they respond.

It is unclear, however, whether there will in fact be a general lowering of card rates.

Eager entrants into the lucrative field of credit cards - such as building societies - are unlikely to lead the way when it comes to undercutting interest rates. Mr Mike Whitehouse, aspokesman for the Halifax, Britain's largest building society, said recently: "The Halifax is moving into the credit card business in search of further profits, not to lose money. Why would we lower rates?"

Others can be expected to share his sentiments, particularly as most players in the credit card market argue that there is little evidence to support the view that the market in the UK for credit cards is interest-rate sensitive.

Dina Medland



Halifax and Abbey National, market leaders: wider choice soon for customers

Building Societies

Money in the friendly card

CREATURES OF the 19th century, Britain's 140 building societies found themselves ushered into the modern financial world at the beginning of the year. The Building Societies Act allowed them to diversify from their traditional home loans and savings business into banking, insurance and estate agency.

In short, the Act enabled societies to enjoy a metamorphosis. Overnight, they could shrug off their antediluvian past and turn themselves into fully fledged financial conglomerates.

In keeping with this aggrandisement, the biggest societies planned to issue credit cards and take part in electronic cashless shopping. The government intended them to be able to do so, and the two biggest societies went ahead with plans to join Visa and Mastercard, the two main credit card companies.

Embarrassingly, both Halifax and Abbey National had to withdraw resolutions from their annual meetings asking members permission to go ahead. It turned out that the relevant section of the Act was poorly drafted and prohibited societies from this natural extension of their range of services.

The Act prevented societies from making unsecured loans of any more than £5000 to any one customer. However hard the society struggled to fix a credit limit of £5000 or less, it would still find itself in breach of the law if the customer found a way to spend £5000 before the society stopped him.

There was a similar problem with cashless shopping. The only way of preventing a customer from spending more than an agreed limit would have been to insist that his every transaction be authorised by the society at the moment of sale. However, the system being designed for the UK by the clearing banks will not insist on that.

At the time of going to press, both problems are being addressed by Parliament and the Act will soon be amended to the satisfaction of both the societies and the Government. Later this month, Abbey will ask its members again for permission to proceed with its plans for plastic cards at a special meeting and the Halifax is likely to do so at its annual meeting next Spring.

There is clearly an abundance of credit cards in the UK, and some societies incline to the view that only the less creditworthy individual would want an entirely new card, not having one of the other ones already. But the majors believe that they owe it to their existing customers to offer this service as part of a comprehensive package. And research show customers will happily switch from the impersonal Access or Visa to a credit card bearing the name of a friendly building society.

"The credit card is essential to the total portfolio of products," says Mr Alan Dunstan, marketing manager at Abbey National, Britain's second largest society with assets of £24bn and 8m customers. With more customers and more assets, the Halifax concurs. "Our customers will feel comfortable with a Halifax card," says Mr Peter Wood, divisional manager in charge of savings and investments. "They may ditch their existing card in favour of ours, or use ours as a second card."

Societies' diversification into new areas of retail finance has clearly brought them into fierce competition with the traditional purveyors of bank loans and estate agency services. The same will happen when they issue credit cards, but they are coy about whether they will cut the very high interest rates payable on outstanding balances as a means to gain market share. It is likely that the societies will not be adverse to preserving the present rate structure - Office of Fair Trading investigation allowing - as a means of offsetting substantial start-up costs.

It is entirely consistent with the bigger building societies' aims to become financial conglomerates that the should want to be involved from the first in plans to turn the UK into a cashless society. Both Abbey and the Halifax intend to become a full member of EftPos UK, the company set up by the banks to implement and manage a national system for Electronic Funds Transfer at the Point of Sale.

Pioneers in the use of cash-dispensers (ATMs to the initiated), building societies have already devised all sorts of ingenious ways of making a simple cash-card the key to convenience. A one-stop visit to the teller in the wall allows the customer to pay bills and standing orders, order statements as well as put money in or take money out. For some societies, the cash-card is being used as the basis of the first exploration of the more complex world of Eftpos.

Both Abbey National and Nationwide Anglia belong to the Link consortium of institutions which allow an interchange of facilities for each others' cash-card holders. Some two months ago, the Link group - which also includes the Co-op bank and the Girobank - instituted pilot Eftpos schemes with two major retailers.

Customers can now use their Link cards to buy petrol at no fewer than 22 BP filling stations around the M25 motorway and buy groceries at two Sainsburys stores. In a transaction not ostensibly dissimilar to that when buying goods with the antithetical credit card, the Link card is "swipe-read." But there then ensues no extended period of free credit - in fact, there is no credit at all - the customer's current account is debited instantly, subject to the availability of funds.

Those involved say that it is too early to derive any useful conclusions from the experiment. "The fog is clearing very slowly on the whole issue," concedes Mr Brian Whitfield of Nationwide Anglia. Unlike the Halifax, which has eschewed all trials before the launch of EftPos UK, the Anglia element of the Nationwide combination set up a pilot scheme in Northampton some time ago. On the basis of this, Nationwide has signed up with Barclays Bank, which intends to install 6,000 direct terminals with retailers by the end of next year.

Needless to say, building societies are dabbling with the more exotic plastic cards - the so-called "smart-cards" and "chip-cards", for example. In their liberalised, twentieth century condition, building societies are keen to keep abreast.

David Waller